NH Hotel Group, S.A. and Subsidiaries

Audit Report,
Consolidated Annual Accounts and
Consolidated Management Report
at 31 December 2020

Free translation of the independent auditor's report on the consolidated annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Audit report on the consolidated annual accounts issued by an independent auditor

To the shareholders of NH Hotel Group, S.A.

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of NH Hotel Group, S.A. (the parent company) and subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2020, the consolidated comprehensive profit and loss statement, the consolidated statement of changes in shareholders equity, the consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 31 December 2020 and the consolidated results of its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

Our audit has been carried out in accordance with prevailing Spanish auditing regulations. Our responsibilities under said regulations are described below under *Auditors' responsibilities in relation to the audit of the consolidated annual accounts*.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the consolidated annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any services other than audit services, nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in the audit of the consolidated annual accounts for the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matters	How the matters were addressed in the audit

Recoverability of assets associated with the hotel business

The Group carries out its business through 361 hotel establishments. All the assets associated with the hotel activity include goodwill, right of use assets, property, plant and equipment and other intangible assets whose carrying amounts at 31 December 2020 total to EUR 101 million (note 9), EUR 1,694 million (note 8), EUR 1.616 million (note 7) and EUR 128 million (note 10), respectively, representing 82% of total assets.

The Group assesses its assets for signs of a decline in value each year and in any event, with respect to the recoverability of goodwill, in order to determine whether there are any impairment losses entailing the write-down of the carrying amounts of the assets, calculated as described in notes 4.2 and 4.4 to the consolidated annual accounts.

As a general rule, Group management estimates the recoverable amount of each cash-generating unit (CGU) on the basis of value in use, calculated using cash flows estimated by applying discount rates and expected growth rates, in accordance with the business plans approved by management.

As recognised in the consolidated statement of comprehensive income, the Group has recorded an impairment under net profit/(losses) from asset impairment for an amount of EUR 76.3 million (note 11.3).

In view of the significance of the judgements made by the Group and the significant estimates made to perform the said calculations, considering the quantitative relevance of such assets and taking into account the existing Covid-19 health crisis and its impacts, we consider the assessment of the recoverability of the assets associated with the hotel business to be a key audit matter (notes 1 and 2.7).

Our audit procedures included, among others:

Understanding of the methodology employed and evaluation of the controls in place in the Group's asset recovery analysis processes.

Obtainment from management of the impairment tests carried out, to which we applied the following substantive procedures, assisted by our internal experts:

- Verification of the reasonableness of the procedures and methods used to perform the impairment tests.
- Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the estimation of the cash flows, such as the method applied by management to estimate the discount rates within an acceptable range.
- Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of assets or the reversal of existing provisions.
- Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts.

The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Key audit matters	How the matters were addressed in the audit

Recoverability of deferred tax assets

As recognised in the accompanying consolidated statement of financial position, at 31 December 2020 deferred tax assets amount to EUR 273 million, of which, EUR 132 million relates to available tax credits, according to note 19 to the accompanying consolidated annual accounts.

When assessing whether the amount recognised in the consolidated annual accounts for these assets is recoverable, Group management takes into account, as mentioned in notes 4.11 and 19, forecast future tax profits, using the method defined to analyse the recovery of its assets, based on the assessment of the estimates of the results of each entity or tax group in accordance with the Group's strategic direction.

In view of the significance of the judgements made by the Group and the significant estimates made to perform the said calculations, considering the quantitative relevance of such assets and taking into account the existing Covid-19 health crisis and its impacts, we consider the assessment of the recoverability of deferred tax assets to be a key audit matter (notes 1 and 2.7).

Our audit procedures included, among others:

Understanding of the methodology employed and evaluation of the controls in place in the Group's deferred tax asset recovery analysis processes.

Obtainment of the deferred tax asset recovery plans, to which we applied the following substantive procedures:

- Analysis of the plans for the recovery of such assets, and obtainment of evidence of the reasonableness of results and projections for future years budgeted and included in recoverability plans.

- Involvement of our internal experts in the analysis of the reasonableness of the application of tax assumptions based on applicable legislation.

- Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts.

The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Other information: Consolidated management report

Other information refers exclusively to the consolidated management report for 2020, the preparation of which is the responsibility of the parent company's directors, and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, in accordance with prevailing audit legislation, consists of:

a) Solely verifying that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, referred to in the Audit Act, have been provided in the manner established in applicable legislation and, if not, disclosing this fact.

b) Assessing and reporting on the consistency of the other information included in the consolidated management report with the consolidated annual accounts, based on our knowledge of the Group obtained during the audit of the accounts, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report are consistent with applicable legislation. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) is provided in the manner stipulated in applicable legislation and the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2020 and its content and presentation comply with applicable legislation.

Responsibility of the directors and the Audit and Control Committee in relation to the consolidated annual accounts

The directors of the parent company are responsible for the preparation of the accompanying consolidated annual accounts such that they present fairly the Group's consolidated equity, financial situation and results in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for the internal control which they consider necessary to enable the preparation of annual accounts free from material misstatements, due to fraud or error

In the preparation of the consolidated annual accounts, the parent company's directors are responsible for assessing the Group's capacity to continue as a going concern, disclosing, as appropriate, any going concern-related issues and applying the going-concern accounting principle, unless the directors intend to wind up the Group or discontinue its operations, or unless no other realistic alternative exists.

The parent company's Audit and Control Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditors' responsibilities in relation to the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report containing our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards prevailing in Spain will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated annual accounts.

As part of an audit in accordance with current legislation governing the audit practice in Spain, we exercise our professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated annual accounts whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and assess whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and adequate evidence in relation to the financial information of the companies or the business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for managing, overseeing and performing the audit of the Group.

We communicate with the parent company's audit and control committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control weakness that we identify in the course of our audit.

We also provide the parent company's audit and control committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the audit and control committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the matters notified to the parent company's audit and control committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files in the European Single Electronic Format (ESEF) of NH Hotel Group, S.A. and subsidiaries for 2020, consisting of an XHTML file, which includes the consolidated annual accounts for the year and the XBRL files with the entity's labels, that will form part of the annual financial report.

The directors of NH Hotel Group S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format and markup requirements contained in EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission (hereinafter ESEF). In this regard, the Annual Corporate Governance Report has been included as a reference in the consolidated management report.

Our responsibility consists of examining the digital files prepared by the parent company's directors, in accordance with prevailing audit legislation in Spain. Such legislation requires that we plan and carry out our audit procedures in order to verify that the content of the consolidated annual accounts included in such files fully agrees with the consolidated annual accounts that we have audited and their format agrees, in all material respects, with ESEF requirements.

In our opinion, the digital files examined fully agree with the audited consolidated annual accounts and these are presented and marked up, in all material respects, in accordance with ESEF requirements.

Additional report for the parent company's audit and control committee

The opinion expressed in this report is consistent with the content of our additional report for the parent company's audit and control committee dated 24 February 2021.

Term of engagement

We were appointed as the Group's auditors by the Annual General Meeting held on 13 May 2019 for a three-year period commencing as from the year ended 31 December 2019.

Services provided

Non-audit services provided to the Group are detailed in note 26.4 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

24 February 2021

NH Hotel Group, S.A. and Subsidiaries

2020

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NH HOTEL GROUP, S.A.
AND SUBSIDIARIES

Consolidated Financial Statements for 2020 drawn up in accordance with the International Financial Reporting Standards adopted by the European Union.

Translation of Consolidated Financial Statements and Consolidated Management Report originally issued in Spanish and prepared in accordance with the International Financial Reporting Standards adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020 AND 31 DECEMBER 2019

(Thousands of euros)

ASSETS	Note	31/12/2020	31/12/2019	NET ASSETS AND LIABILITIES	Note	31/12/2020	31/12/2019
NON-CURRENT ASSETS:				**EQUITY:**			
Property, plant and equipment	7 & 11	1,615,924	1,713,123	Share capital	17	784,361	784,361
Right-of-use assets	8 & 11	1,693,820	1,701,499	Reserves of the parent company	17.1	933,173	777,089
Investment Property		2,950	2,964	Reserves of fully consolidated companies		(349,898)	(278,348)
Goodwill	9	101,069	106,577	Reserves of companies consolidated using the equity method		(18,176)	(18,198)
Other intangible assets	10	128,137	83,807	Conversion differences		(162,932)	(134,967)
Deferred tax assets	19	273,013	220,040	Treasury shares and shareholdings	17.4	(367)	(1,647)
Investments accounted for using the equity method	12	41,773	7,517	Consolidated Profit/(Loss) for the period		(437,159)	89,964
Financial assets at fair value with change in profit/loss	13.1	1,985	2,075	**Equity attributable to the shareholders of the Parent Company**		**749,002**	**1,218,254**
Other financial assets at amortised cost	13.2	35,664	35,327	Non-controlling interests	17.5	49,582	57,239
Total non-current assets		**3,894,335**	**3,872,929**	**Total equity**		**798,584**	**1,275,493**
				NON-CURRENT LIABILITIES			
				Debt instruments and other marketable securities	18	349,062	345,652
				Bank borrowings	18	623,011	106,695
				Leasing liabilities	8	1,809,120	1,814,399
				Deferred tax liabilities	19	171,519	180,082
				Other financial liabilities		904	1,160
				Other non-current liabilities	20	10,601	7,637
				Provisions for contingencies and charges	21	47,255	48,241
				Total non-current liabilities		**3,011,472**	**2,503,866**
				CURRENT LIABILITIES:			
				Trade and other payables	22	188,493	257,499
CURRENT ASSETS:				Accounts payable from related entities	27	613	1,050
Inventories		7,957	11,123	Tax payables	19	22,589	40,875
Other current assets		5,383	5,771	Bank borrowings	18	25,927	3,111
Trade receivables	14	29,937	106,496	Leasing liabilities		250,619	252,970
Other non-trade debtors		19,952	26,967	Debt instruments and other marketable securities	18	143	141
Tax receivables	19	50,547	28,961	Other financial liabilities		105	251
Accounts receivable from related entities	27	955	2,493	Other current liabilities	23	25,095	49,035
Cash and cash equivalents	15	320,851	289,345	Provisions for contingencies and charges	21	6,277	5,021
Assets classified as held for sale	16	—	47,811	Liabilities classified as held for sale	16	—	2,584
Total current assets		**435,582**	**518,967**	Total current liabilities		**519,861**	**612,537**
TOTAL ASSETS		**4,329,917**	**4,391,896**	**NET ASSETS AND LIABILITIES**		**4,329,917**	**4,391,896**

Notes 1 to 32 set forth in the Consolidated Annual Report and Annexes I/III are an integral part of the Consolidated Balance Sheet at 31 December 2020. The Consolidated Balance Sheet at 31 December 2019 is presented solely for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE YEARS 2020 AND 2019

(Thousands of euros)

	Note	2020	2019
Revenues	26.1	536,150	1,708,078
Other operating income	26.1	7,852	9,352
Net gains on disposal of non-current assets	7, 8, 10 & 26.1	(475)	(709)
Procurements		(25,378)	(76,765)
Staff costs	26.3	(268,174)	(448,762)
Amortisation of use rights	8	(186,310)	(181,079)
Impairment on tangible fixed assets and intangible assets	7 & 10	(116,167)	(116,001)
Net Profits/(Losses) from asset impairment	7, 8, 9, 10 & 11	(76,258)	4,889
Other operating expenses	26.4	(249,481)	(624,175)
Gains on financial assets and liabilities and other	13.1	(222)	8,529
Profit (loss) from companies accounted for using the equity method	12	(7,468)	22
Financial income	26.2	1,716	4,204
Change in fair value of financial instruments		323	306
Financial expenses on leases	26.5	(94,106)	(89,620)
Other financial expenses	26.5	(41,439)	(45,852)
Results from exposure to hyperinflation (NIC 29)	26.6	796	(85)
Net exchange differences (Income/(Expense))		(3,774)	(2,341)
Impairment on financial investments	12, 16 & 27	6,926	(18,572)
PROFITS/(LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		**(515,489)**	**131,419**
Corporation tax	19	75,154	(38,568)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES		**(440,335)**	**92,851**
Profit (loss) for the year from discontinued operations net of tax	16	(66)	50
PROFIT / (LOSS) FOR THE PERIOD		**(440,401)**	**92,901**
Conversion differences		(21,799)	3,536
Income and expenses recognised directly in equity		**(21,799)**	**3,536**
TOTAL COMPREHENSIVE PROFIT/(LOSS)		**(462,200)**	**96,437**
Profit/(Loss) for the year attributable to:			
Parent Company Shareholders		*(437,159)*	*89,964*
Non-controlling interests		*(3,242)*	*2,937*
Comprehensive Profit / (Loss) attributable to:			
Parent Company Shareholders		*(456,829)*	*92,245*
Non-controlling interests	*17*	*(5,371)*	*4,192*
Profit/Loss per share in euros (basic and diluted)	5	**(1.115)**	**0.230**

Notes 1 to 32 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated comprehensive profit and loss statement for 2020.
The Consolidated Comprehensive Profit and Loss Statement for 2019 is presented solely for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2020 AND 2019
(Thousands of euros)

	Share Capital	Reserves of the Parent Company			Reserves in companies consolidated using		Currency translation reserve	Treasury shares and shareholding	Results attributable to the Parent Company	Total	Non-controlling interests	Total Shareholders' Equity
		Share Premium	Legal Reserve	Other reserve	Full consolidation	the equity method						
Balance at 31 December 2018	**784,361**	**756,990**	**58,834**	**(134,756)**	**(44,723)**	**(23,436)**	**(60,854)**	**(2,530)**	**117,785**	**1,451,671**	**52,351**	**1,504,022**
NIC 29 Accounting reclassification (Note 2.5)	—	—	—	—	93,923	—	(93,923)	—	—	—	—	—
Accounting correction (Note 2.3 y 2.5)	—	—	—	—	—	—	16,212	—	(16,212)	—	—	—
Restated balances at 31 December 2018	**784,361**	**756,990**	**58,834**	**(134,756)**	**49,200**	**(23,436)**	**(138,565)**	**(2,530)**	**101,573**	**1,451,671**	**52,351**	**1,504,022**
Application of new accounting policy (IFRS 16) (Note 2.2)	—	—	—	(3,443)	(251,262)	—	—	—	—	(254,705)	(1,098)	(255,803)
Other adjustments	—	—	—	(1,041)	(16,591)	5,737	166	—	—	(11,729)	3,761	(7,968)
Initial balance adjusted 01 January 2019	**784,361**	**756,990**	**58,834**	**(139,240)**	**(218,653)**	**(17,699)**	**(138,399)**	**(2,530)**	**101,573**	**1,185,237**	**55,014**	**1,240,251**
Net profit (loss) for 2019	—	—	—	—	—	—	—	—	89,964	89,964	2,937	92,901
Conversion differences	—	—	—	—	—	—	2,281	—	—	2,281	1,255	3,536
Recognised income and expenses for the period	—	—	—	—	—	—	2,281	—	89,964	92,245	4,192	96,437
Distribution of Profit (Loss) 2018-										—	—	—
- To Reserves	—	—	16,019	144,173	(58,120)	(499)	—	—	(101,573)	—	—	—
- To Dividends	—	—	—	(58,771)	—	—	—	—	—	(58,771)	—	(58,771)
Remuneration Scheme in shares	—	—	—	(998)	—	—	—	970	—	(28)	—	(28)
Adjustment application of IAS 29	—	—	—	—	—	—	1,151	—	—	1,151	777	1,928
Distribution of dividends	—	—	—	—	—	—	—	—	—	—	(2,720)	(2,720)
Other movements	—	—	—	82	(1,575)	—	—	(87)	—	(1,580)	(24)	(1,604)
Balances at 31 December 2019	**784,361**	**756,990**	**74,853**	**(54,754)**	**(278,348)**	**(18,198)**	**(134,967)**	**(1,647)**	**89,964**	**1,218,254**	**57,239**	**1,275,493**
Initial balance adjusted 01 January 2020	**784,361**	**756,990**	**74,853**	**(54,754)**	**(278,348)**	**(18,198)**	**(134,967)**	**(1,647)**	**89,964**	**1,218,254**	**57,239**	**1,275,493**
Net profit (loss) for 2020	—	—	—	—	—	—	—	—	(437,159)	(437,159)	(3,242)	(440,401)
Conversion differences	—	—	—	—	—	—	(19,670)	—	—	(19,670)	(2,129)	(21,799)
Recognised income and expenses for the period	—	—	—	—	—	—	(19,670)	—	(437,159)	(456,829)	(5,371)	(462,200)
Distribution of Profit (Loss) 2019-												
- To reserves (Note 3)	—	—	15,894	143,046	(68,998)	22	—	—	(89,964)	—	—	—
Remuneration Scheme in shares (Note 25)	—	—	—	(2,724)	—	—	—	1,525	—	(1,199)	—	(1,199)
Adjustment application of IAS 29	—	—	—	—	—	—	(8,295)	—	—	(8,295)	(1,383)	(9,678)
Distribution of dividends (Note 17.5)	—	—	—	—	—	—	—	—	—	—	(1,179)	(1,179)
Other movements	—	—	—	(132)	(2,552)	—	—	(245)	—	(2,929)	276	(2,653)
Balances at 31 December 2020	**784,361**	**756,990**	**90,747**	**85,436**	**(349,898)**	**(18,176)**	**(162,932)**	**(367)**	**(437,159)**	**749,002**	**49,582**	**798,584**

Notes 1 to 32 described in the consolidated Record and Appendices I/II form an integral part of the statement of changes in consolidated assets for the year 2020. The statement of changes in consolidated assets for the year 2019 is presented for comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR 2020 AND 2019

(Thousands of euros)

	Note	2020	2019
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax and discontinued operations:		**(515,489)**	**131,419**
Adjustments:			
Amortisation of use rights (+)	**8**	186,310	181,079
Impairment to tangible and intangible fixed assets (+)	**7 & 10**	116,167	116,001
(Profits)/Losses for impairment (net) (+/-)	**7, 8, 9 & 10**	76,258	(4,889)
Gains/Losses on the sale of tangible and intangible assets (+/-)	**7, 8, 10 & 26.1**	475	709
Gains/Losses on investments valued using the equity method (+/-)	**12**	7,468	(22)
Financial income (-)	**26.2**	(1,716)	(4,204)
Change in fair value of financial instruments		(323)	(306)
Financial expenses (+)	**26.5**	135,545	135,472
Results from exposure to hyperinflation (NIC 29)	**26.6**	(796)	85
Net exchange differences (Income/(Expense))		3,774	2,341
Profit (loss) on disposal of financial investments		222	(8,529)
Impairment on financial investments (+/-)	**12**	(6,926)	18,572
Other non-monetary items (+/-)		(47,047)	5,841
Adjusted profit (loss)		**(46,078)**	**573,569**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		3,410	(144)
(Increase)/Decrease in trade debtors and other accounts receivable		70,024	(405)
(Increase)/Decrease in other current assets		(28,015)	(764)
Increase/(Decrease) in trade payables		(68,586)	5,466
Increase/(Decrease) in other current liabilities		(30,875)	(4,745)
Increase/(Decrease) in provisions for contingencies and expenses		(2,579)	(12,923)
(Increase)/Decrease in non-current assets		254	1,312
Increase/(Decrease) in non-current liabilities		*518*	*(146)*
Income tax paid		7,834	(55,959)
Total net cash flow from operating activities (I)		**(94,093)**	**505,261**
2. INVESTMENT ACTIVITIES			
Other interest/dividends received		**155**	**716**
Investments (-):			
Group companies, joint ventures and associates	**6**	(64,057)	(1,297)
Tangible and intangible assets and investments in property	**7 & 10**	(105,464)	(190,813)
		(169,521)	**(192,110)**
Disinvestment (+):			
Group companies, joint ventures and associates	**2.9.5 & 12**	26,918	1,903
Tangible and intangible assets and investments in property		4,798	23,532
		31,716	**25,435**
Total net cash flow from investment activities (II)		**(137,650)**	**(165,959)**
3. FINANCING ACTIVITIES			
Dividends paid out (-)		(1,176)	(60,580)
Interest paid on debts (-)		(34,250)	(38,726)
Interest paid by means of payment		(6,459)	(19,304)
Interest paid by financing and other		(27,791)	(19,422)
Variations in (+/-):			
Equity instruments:			
- Treasury shares	**17.4**	(298)	—
Debt instruments:			
- Loans from credit institutions (+)		821,700	36,544
- Loans from credit institutions (-)	**18**	(278,900)	(3,974)
- Principal elements on payment for leasing (-)	**8**	(244,785)	(252,296)
- Other financial liabilities (+/-)		(79)	(755)
Total net cash flow from financing activities (III)		**262,212**	**(319,787)**
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		30,469	19,515
5. Effect of exchange rate variations on cash and cash equivalents (IV)		(1,726)	2
6. Effect of variations in the scope of consolidation (V)	**6 & 2.9.5**	2,763	3,959
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		31,506	23,476
8. Cash and cash equivalents at the start of the financial year		**289,345**	**265,869**
9. Cash and cash equivalents at end of year		**320,851**	**289,345**

Notes 1 to 32 set forth in the Consolidated Annual Report and Annexes I /II form an integral part of the Consolidated Cash Flow Statement for 2020. The consolidated cash flow statement for 2019 is presented for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2020

1.- ACTIVITY AND COMPOSITION OF THE PARENT COMPANY

NH HOTEL GROUP, S.A. (hereinafter the Parent Company) was incorporated as a public limited company in Spain on 23 December 1981 under the trade name "Material para Ferrocarriles y Construcciones, S.A.", which was subsequently changed to "Material y Construcciones, S.A." (MACOSA) and later to "Corporación Arco, S.A."

In 1992, Corporación Arco, S.A. took over Corporación Financiera Reunida, S.A. (COFIR), while at the same time adopting the trade name of the company taken over and amending its corporate purpose to the new activity of the Parent Company, which focused on the management of its shareholding portfolio.

During 1998, Corporación Financiera Reunida, S.A. (COFIR) merged with Grupo Catalán, S.L. and its subsidiaries and Gestión NH, S.A. through the absorption of these companies by the former. Subsequently, Corporación Financiera Reunida, S.A. (COFIR) took over NH Hoteles, S.A., adopted its trade name and broadened its corporate purpose to allow for the direct performance of hotel activities, activities in which it had already been engaged indirectly through its subsidiaries.

Information on these mergers can be found in the financial statements of the years in which said transactions took place.

The General Shareholders' Meeting of 21 June 2014 agreed to change the company's name from "NH Hoteles, S.A." to "NH Hotel Group, S.A."

The Parent Company heads up a group of subsidiary companies which, together with NH Hotel Group, S,A., make up the NH Hotel Group (hereinafter, the "Group" - see Appendices I and II) which is dedicated to running hotels, on its own, either owning or leasing the hotels, or via third parties, with management, offering a wide range of functions from its corporate head office and regional offices.

On 11 June 2018, MHG Continental Holding (Singapore) Pte Ltd made a public offer to acquire 100% of the shares making up NH Hotel Group, S.A.'s company capital, the result of which was that Minor International Public Company Limited ("MINT") acquired shares representing 94.13% of the share capital of NH Hotel Group, S.A., via its wholly owned subsidiary, MHG Continental Holding (Singapore) Pte. Ltd.

At the end of the financial year, the Group was operating hotels in 29 countries, with 361 hotels and 55,371 rooms, of which around 72% are located in Spain, Germany, Italy and the Benelux countries.

NH Hotel Group, S.A. has its registered address at Calle Santa Engracia, 120 - 7th floor, Madrid, Spain. Furthermore, the name of the Parent Company did not change in this financial year or in the previous one.

Main changes in 2020 (COVID-19)

On March 11, 2020, the World Health Organization raised to the status of global pandemic the public health emergency caused by SARS-CoV-2 virus (commonly known as coronavirus, while COVID-19 denotes the disease caused by the virus). The rapid spread of COVID-19, on an international scale, has triggered an unprecedented healthcare, social and economic crisis that continues to evolve

Since the beginning of the COVID-19 pandemic during March in Europe and Latin America, the hotel demand has drastically decreased due to lockdowns, travel restriction and social distance, which severely affected mobility.

During blockade, isolation and intense lockdown months, from march to ending of May, circa 95% of our hotels were closed and those which stayed open was for charitable purposes. As a result, second quarter was the most affected with an extremely low demand level. The gradual opening of hotels was initiated ending of May and it was done progressively based on demand recovery and focusing on optimise value for money. During June circa 60% of the portfolio was open, a 70% in July and circa 80% during ending of August and September.

The smooth reopening of the hotels since June, after the portfolio was closed in March due to the intense lockdown, enabled the attraction of national customers during the third quarter. The reopening, in spite of the low level of demand due to mobility restrictions, was possible because of the flexible cost structure.

In 2020 NH Hotel Group put “Feel Safe at NH” into place in all its hotels. This is a new plan, with measures approved by experts, to face up to the health crisis caused by the SARS-CoV-2 coronavirus. The Company has reviewed all its procedures and made nearly 700 adaptations to its operating standards to preserve the health and safety of travellers and employees worldwide. Grouped into 10 main lines of action and backed by specialists in different fields, the measures implemented cover the digitisation of hotel services, adapting sanitation processes, including social distancing regulations in operations and the application of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that the Group's hotels are clean and safe environments.

As a result of the impact of the second wave of infections in Europe at end of the third quarter, apart from delaying additional reopenings that had been planned for the last months of 2020, hotels were closed once again and, at the end of December 2020, around 60% of the portfolio was open. The impact of the second wave and the stricter restrictions on mobility during the last months of the year resulted in a lower level of business when compared to the third quarter.

In spite of the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges in 2020. Although the challenges will continue in the first months of 2021, the Group will benefit in the first stage of recovery from brand recognition, excellent locations and strong market positioning, once recovery is spearheaded in Europe.

Contingency Plan

As a result of the exceptional circumstances occurred after the beginning of the pandemic (Covid-19), the Group implemented a relevant contingency plan to adapt operations and guarantee business sustainability with the aim at minimizing costs during the closure of the portfolio, preserving Group's liquidity to attend to operational necessities and ensuring that the gradual reactivation of the hotel activity is carried out efficiently and under the premise of maximum guarantees in terms of health and safety.

Due to lack of visibility on the business recovery speed following measures on cost control were implemented and will continue being implemented to ensure operational cost minimizing and liquidity preservation:

- Personnel (Note 26.3): The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons.

- Other operational expenses (Note 26.4): negotiation with suppliers to reduce costs, search for alternative supplies and achieve improvements on payment terms. Additionally, actions were undertaken as: personnel travel suspension, significant reduction of marketing and advertisement expenses despite the necessity of income incentives.

- Leases (Nota 8): temporary reduction of fixed rents through renegotiation with landlords.

- Investments: Main part of the investments were cancelled or postponed except for those in a very advanced stage.

- Liquidity reinforcement:

  – Withdraw of the dividend proposal against 2019 results of 0,15 euros per share which could have resulted an estimated payment of 59 million euros (Note 3).

  – 275 million euros on credit lines drawn on March (Note 18).

  – The Group entered into a syndicated loan for 250 million euros over 3 years, with no repayments until maturity, endorsed by the "Instituto de Crédito Oficial" (ICO), in Spain (Note 18).

  – In October 2020, the Group agreed the extension of the maturity of the syndicated credit facility to March 2023, which original maturity was September 2021, with a limit of 236 million euros (Note 18).

  – Moreover, and additional to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for the months of June and December 2020, unanimous approval from the loan institutions was obtained to extend the waiver until June 2021. This waiver until June 2021 also extends to the syndicated loan (Note 18).

For more information about contingency plan see "Covid-19 impact and the measures implemented ” section of the consolidated management report ended on 31 December, 2020.

The consolidated annual accounts include the impacts derived from the situation described above with special relevance in the impairment analysis carried out by the group in the year and the resulting losses recorded (Note 11), the activation of tax credits based on the recovery of the themselves (Note 19), and the description and analysis carried out by the administrators and their conclusion regarding the continuity of the business and the corresponding formulation of the accounts as a going concern (Note 2.8).

The consolidated annual accounts must be read considering said evaluation and breakdown.

2.- BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES

2.1 Basis of presentation of the Consolidated Financial Statements

The consolidated annual accounts were prepared using the accounting records of NH Hotel Group, S.A. and the consolidated entities. The consolidated annual accounts for the 2020 financial year were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), other provisions within the financial reporting standards framework which are applicable and with the requirements for format and framework provided for in the Delegated Regulation EU 2018/815 of the European Commission, Regulation (CE) No. 1606/2002 of the European Parliament and by Law 62/2003, of 30 December on tax, administrative and social measures, as well as the applicable rules and circulars of the National Securities Market Commission and the other Spanish accounting regulations that may be applicable, with the purpose of showing a true image of NH Hotel Group, S.A. and its subsidiaries' consolidated equity and consolidated financial position at 31 December 2020, and the consolidated financial performance, consolidated cash flows and consolidated changes in equity for the financial year ended on that date.

The Group adopted the IFRS-EU on 1 January 2004 and, on that date, applied IFRS 1 "First-time adoption of International Financial Reporting Standards".

The Directors of the Parent company consider that the consolidated annual accounts for the 2020 financial year, which were drawn up on 24 February 2021, will be approved by the General Shareholders Meeting without amendment. The consolidated financial statements for 2019 were approved by the shareholders at the Annual General Meeting held on 16 July 2020 and filed with the Companies Registry of Madrid.

Since the accounting standards and valuation criteria applied in the preparation of the Group's consolidated financial statements may differ from those used by some of its component companies, the necessary adjustments and reclassifications have been made to standardise them and adapt them to the IFRS adopted by the European Union.

2.2 Standards and interpretations effective in this period

During the year, new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements, but which did not give rise to a change in the Group's accounting policies:

(1) New obligatory regulations, amendments and interpretations for the year commencing 01 January 2020:

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
New Standards:		
Amendment to IFRS 3 - Definition of business (published in October 2018)	Clarifications to the definition of business.	01 January 2020

Amendments and/or interpretations		
Amendments to IAS 1 and IAS 8 Definition of "materiality" (published in October 2018).	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" to the content of the conceptual framework.	01 January 2020
Amendments to IFRS 9, IFRS 7 and IAS 39 Current reform of the benchmark interest rate (published in September 2019).	Modifications that provide certain exemptions related to hedge accounting with respect to the reform of the benchmark interest rate (IBOR).	
Amendments to IFRS 16 Leases Rent concessions (published in May 2020).	Amendment to help lessees accounting for Covid-19-related rent concessions	01 June 2020
Amendments to references to the IFRS conceptual Framework	A revised conceptual framework was published, applicable to entities that use the conceptual framework to determine their accounting policies.	01 January 2020

These regulations and amendments have been applied to these consolidated financial statements with no significant impacts on either the reported figures or the presentation and breakdown of the information, except for the application of the amendment to IFRS 16. See breakdown of impacts in the following section.

(2) Transition and amendment IFRS 16.

On 1 January 2019, the Group began to apply IFRS 16 to all contracts that were identified as leases in accordance with IAS 17 and IFRIC 4, except for the exceptions recognised by the standard.

The Group decided to apply the modified retrospective method as the transition method to IFRS 16, calculating the asset at the commencement date of each identified contract and the liability at the transition date, using for the calculation of both the incremental interest rate at the transition date and recognising the difference between the two items as an adjustment to the opening balance of the consolidated reserves.

The impact of IFRS 16 on the Group's financial statements is significant due to the lease contract portfolio.

This impact at 1 January 2019 was mainly greater right-of-use net assets for 1.747 billion euros, a greater liability for operating leases of 2.099 billion euros (1.839 billion euros of non-current liabilities and 260 million euros of current liabilities), lower early payments assets of 3 million euros, lower lease linearisation assets of 16 million euros (13 million euros in non-current assets, 3 million euros in current assets), lower lease linearisation liabilities of 19 million euros (17 million euros in other non-current liabilities, 2 million euros in other current liabilities), greater deferred tax assets of 88 million euros and lower equity of 256 million euros. It also entailed the reclassification of certain balance sheet items that were associated with lease contracts under the Right-of-use assets heading. Specifically, a liability for risk provisions and expenses on onerous contracts of 7 million euros, a liability for grants of 22 million euros and net intangible assets of 22 million euros.

The calculation of these impacts has been performed as if IFRS 16 had been applied from the inception of each contract or from the date of initial consolidation of the lessee of the contract. The calculation was made by

discounting the lease flows by recalculating the asset and liability for each material modification to the lease and using an incremental interest rate calculated for each of the contracts at the transition date without taking into account the tax effect.

On the other hand, an amendment to IFRS 16 was approved by the IASB on 28 May 2020 to help accounting for changes in leases resulting from the pandemic caused by Covid-19. The amendment establishes an exemption in which rental concessions caused by Covid-19 may not be recorded as amendments to the lease. This practical solution is applicable if certain conditions are fulfilled:

- The change in payments for leases give rise to the revision of the consideration for the lease, which is substantially the same as, or less than, the consideration for the lease immediately prior to the change;
- any reduction in payments for leases only affects the payments originally due on, or before, 30 June 2021 (for example, a rent reduction would comply with this condition if it gives rise to a reduction in payments for leases on, or before, 30 June 2021, and an increase in payments for leases extending beyond 30 June 2021); and
- there is no substantial change in the other terms and conditions of the lease.

Therefore, the standard provides that the Group can, if the above requirements are met, choose to account for the contractual changes, not by recalculation of the rent but instead account for it as a change that is not considered to be an amendment by IFRS 16.

The Group has chosen to use the practical solution, by which rental concessions that comply with that set out above have generated less expenditure on rent of 46,195 thousand euros (Note 26.4).

(3) New regulations, amendments and interpretations which will be mandatory in the years following the year commencing 01 January 2020

The following standards and interpretations had been published by the IASB on the date the consolidated financial statements were drawn up but had not yet entered into force, either because the date of their entry into force was subsequent to the date of these consolidated financial statements or because they had not yet been adopted by the European Union:

Awaiting approval for use in the European Union as of the date of publication of this document (1)		
New Standards:		
IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	01 January 2023
Amendment to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associates or joint ventures	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet said definition, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to postpone the effective date (without setting a new specific date) as it is planning a broader review that could result in simplifying the accounting of these transactions and other aspects of the accounting of associates and joint ventures.	Pending approval

(1) The approval status of the standards can be consulted on the EFRAG website.

Amendments and/or interpretations		
Amendment to IAS 1: Classification of Liabilities as Current or Non-current. (published in October 2020)	Classification of Liabilities as Current or Non-current.	01 January 2023
Amendment to IFRS 3: "Reference to the Conceptual Framework"	IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or liability in a business combination (previously referred to the 2001 CF). A new exception has also been added in IFRS 3 for liabilities and contingent liabilities.	01 January 2022
Amendments to IFRS 9, IFRS 4, IFRS 16, IFRS 7 and IAS 39 Reform of the benchmark interest rate. Phase 2	Amendments to IFRS 9, IFRS 4, IFRS 16, IFRS 7 and IAS 39 relating to reform of the benchmark interest rate (Phase 2).	01 January 2021
Amendment to IFRS 4	Deferment of application of IFRS 9 until 2023	01 January 2023
Amendment to IAS 16 Income obtained prior to the intended use	The amendment prohibits deduction of any income obtained from the sale of the articles produced from the cost of a tangible fixed asset while the entity is preparing the asset for its intended use.	01 January 2022
Amendment to IAS 37 Onerous contracts - costs of performing a contract	The amendment explains that the direct cost of performing a contract includes the incremental costs of performing that contract and an allotment of other costs that are directly related to performance of the contract.	01 January 2022
Improvements to IFRS 2018-2020 Cycle (published in December 2017)	Amendments that affect IFRS 1, IFRS 9 and IFRS 16	01 January 2022

2.3 Accounting correction

During the first quarter of 2019, a situation was detected in the Consolidated Annual Accounts at 31 December 2018 in relation to the accounting for hyperinflation in the Argentine subsidiaries of the Parent Company in accordance with IAS 29.

This situation corresponded to the recording of a higher consolidated result in 2018 derived from hyperinflation in Argentine subsidiaries, when a net amount of 19 million euros before minority interests should have been recorded directly in reserves. This therefore supposes a reclassification between the result and equity without there being any additional impact to consider.

Following a report from the Audit and Control Committee, the Board of Directors considered that the situation revealed did not represent a very significant impact on the Consolidated Annual Accounts at 31 December 2018 in the context of Article 38 of the Commercial Code as it did not affect the financial or equity position of the Company, and did not justify, therefore, the consolidated annual accounts be restated.

Based on the foregoing, the aforementioned reclassification was recorded in equity at 31 December 2018, which resulted in higher consolidated reserves of 16,212 thousand euros and a lower consolidated result for the same amount. On the other hand, the effect of the reclassification on minority interests was 3,177 thousand euros as higher reserves and the same amount as lower gain/(loss) and supposed a zero effect on this heading of the abridged consolidated statement of changes in net equity.

2.4 Accounting criteria change

In 2020 there were no significant changes in accounting criteria.

2.5 Comparison of information

As required by IAS 1, the information on 2019 contained in this consolidated annual report is presented for solely comparative purposes with the information on 2020 and consequently does not in itself constitute the Group's consolidated financial statements for 2019.

In March 2020, the IFRS Interpretations Committee decided on the presentation of the effects on restatement for hyperinflation and the translation into "Other Comprehensive Income" on a net basis where the entity considers that the combination of the two effects meet the definition of exchange rate differences in IAS 21. If this is not the case, the effect of hyperinflation (IAS 29) in equity and the effect of conversion differences (IAS 21) in "Other Comprehensive Income" will be recognised separately. It is not allowable to present both variables net in equity (an aspect that until now was accepted by the CNMV and ESMA). Following this approval, the Group has reclassified the net effect of the restatement due to hyperinflation and the translation into "Other Comprehensive Income", this reclassification has resulted in greater equity and a greater conversion differences value of 77,711 thousand euros at 31 December 2018 and 1,151 thousand euros in 2019. This restatement has had no impact on the Group's Equity.

2.6 Foreign currency transactions and balances

2.6.1 Working currency and presentation currency

The consolidated annual accounts are presented in thousands of euros, rounded to the nearest thousand, which is the Parent company's working and presentation currency.

2.6.2 Foreign currency transactions, balances and cash flows

Transactions in foreign currencies are converted to the working currency using the exchange rates for the working currency and the foreign currency on the dates on which the transactions are carried out.

Cash assets and liabilities in foreign currencies have been converted into euros using the rate at the end of the financial year, while non-cash valued at historic cost are converted using the exchange rates applicable on the date the transaction took place. The conversion to euros of non-cash assets which are valued at fair value has been carried out using the exchange rate on the date when they were quantified.

In the presentation of the consolidated cash flow statements, the flows from transactions in foreign currencies were converted to euros using the exchange rates on the date they occurred. The effect of exchange rate change on cash and other cash equivalents in foreign currency is presented separately in the cash flow statement as "The effect of exchange rate differences on cash".

The differences appearing in settling transactions in foreign currency and the conversion of foreign currency cash assets and liabilities to euros is recognised in profit and loss. Nevertheless, exchange rate differences occurring in cash entries forming a part of the net business investment abroad are recorded as conversion differences in other global profit and loss.

Losses or gains from exchange rate differences relating to foreign currency cash financial assets or liabilities are also recognised in profit and loss.

2.6.3 Conversion of business abroad

The following criteria have been different applied for converting into euros the different items of the consolidated balance sheet and the consolidated comprehensive profit and loss statement of foreign companies included within the scope of consolidation:

- Assets and liabilities have been converted by applying the effective exchange rate prevailing at year-end.

- Equity has been converted by applying the historical exchange rate. The historical exchange rate existing at 31 December 2003 of any companies included within the scope of consolidation prior to the transitional date has been considered as the historical exchange rate.

- The consolidated comprehensive profit and loss statement was translated at the average exchange rate for the year, except for the companies in Argentina whose economy was declared hyperinflationary and therefore, in accordance with IAS 29, their consolidated comprehensive profit and loss statement was translated at the year-end exchange rate.

Any difference resulting from the application these criteria have been included in the "Translation differences" item under the "Equity" heading.

Any adjustments arising from the application of IFRS at the time of acquisition of a foreign company with regard to market value and goodwill are considered as assets and liabilities of such company and are therefore converted using the exchange rate prevailing at year-end.

2.6.4 Foreign operations in hyper-inflationary economies

In 2018, Argentina was declared a hyperinflationary economy due, among other causes, to the fact that the accumulated inflation rate of its economy exceeded 100% over a continuous period of three years.

As a result, the Group began to apply IAS 29 to the financial statements of Argentine companies with retroactive effect from 1 January 2018. Applying the standard involves the following exceptions:

- Adjusting the historical cost of non-monetary assets and liabilities and the different equity items from the acquisition date or inclusion on the consolidated balance sheet until year-end to reflect the changes in currency's purchasing power resulting from the inflation.

- Reflecting the loss or gain corresponding to the impact of inflation for the year on the net monetary position in the profit and loss account.

- Adjusting the various items of the profit and loss account and the cash flow statement for the inflationary index since its generation, with a counterpart in financial results and in a reconciliation item on the cash flow statement, respectively.

- Converting all components of the financial statements of Argentine companies at the closing exchange rate; the exchange rate at 31 December 2020 was 102.88 pesos per euro (67.2 pesos per euro at 31 December 2019).

2.7 Responsibility for the information, estimates made and sources of uncertainty

The Directors of the Parent Company are responsible for the information contained in these consolidated financial statements.

Estimates made by the management of the Group and of the consolidated entities have been used in preparing the Group's consolidated financial statements to quantify some of the assets, liabilities, revenue, expenses and undertakings recognised. These estimates essentially refer to:

- The assessment of possible impairment losses on certain assets.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce;
- The useful life of the tangible and intangible assets.
- The valuation of consolidation goodwill.
- The market value of specific assets.
- Calculation of provisions and evaluation of contingencies.
- The recoverability of capitalised tax credits.

Given the uncertainty in the economic environment caused by Covid-19, the Group has analysed the estimates made to date where there was an indication of impairment and modified those it deemed relevant.

In spite of the fact that these estimates were carried out using the best information available at 31 December 2020 on events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) in years to come. This will be done in accordance with the provisions of IAS 8, prospectively.

2.8 Going concern

As a result of applying the new accounting standard IFRS 16, the Group has recognised a short-term liability corresponding to the current value of the lease payment commitments to be made in the next twelve months that, at 31 December 2020, amounted to 250,619 thousand euros (252,970 thousand euros at December 2019) meaning that, at 31 December 2020, current liabilities are 84,279 thousand euros higher than current assets (93,570 thousand euros at December 2019). Given that this effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development.

As a consequence of the situation caused by Covid-19, government measures taken worldwide to mitigate the spread of the pandemic have had a significant impact on the Group. These measures resulted in the temporary closure of establishments in the majority of its locations for a period of time, as well as significant falls in the business's operations and the uncertainties associated with how the situation evolves. These consolidated annual accounts have been prepared in accordance with the going concern principle as the Group has implemented crisis management organisational measures to ensure business continuity, both individually (management of contagion or isolation situations), and collectively.

These measures include actions focused on the temporary downsizing of existing resources as well as renegotiating lease contracts and other actions focused on minimising the impacts of the situation.

Likewise, to strengthen the Group's liquidity, various medium- and long-term financing operations have been signed. Amongst these, a syndicated loan of 250,000 thousand euros in April 2020 over 3 years with a partial guarantee from the Official Credit Institution (ICO) and the renegotiation of the syndicated credit line for 236,000 thousand euros in October 2020, whose maturity was extended until March 2023, stand out. Refinances of the finance lines were also signed, which were previously short-term, extending their maturities to terms between 3 and 5 years, also within the framework of ICO guarantees. Various bilateral loans were also formalised in different countries, the majority of which are also partially guaranteed by the State. Moreover, negotiations were carried out with the loan institutions for the syndicated credit line of 236,000 thousand euros and the syndicated loan of 250,000 thousand euros for the temporary waiver of measuring financial ratios (covenants), ensuring, in this way, the availability of both instruments (Note 18).

Therefore, assuming a gradual reactivation of the business and scientific progress in relation to Covid-19 that facilitates a gradual return to normality during 2021 and subsequent years, the Group considers it has sufficient resources to meet future obligations in the next 12 months.

2.9 Consolidation principles applied

2.9.1 Subsidiaries (Appendix I)

Subsidiaries are considered as any company included within the scope of consolidation in which the Parent Company directly or indirectly controls their management due to holding the majority of voting rights in the governance and decision-making body, with the ability to exercise control. This ability is shown when the Parent Company has the power to direct an investee entity's financial and operating policy in order to obtain profits from its activities. Subsidiaries are consolidated from the date control is transferred to the group and they cease to be consolidated from the date on which control ceases.

The purchase method of accounting is used by the group to account for business combinations.

The financial statements of subsidiaries are consolidated with those of the Parent Company by applying the full consolidation method. Consequently, all significant balances and effects of any transactions taking place between them have been eliminated in the consolidation process. If necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Group.

Non-controlling interests on the subsidiaries' profit and loss and equity are shown separately on the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and on the consolidated balance sheet, respectively.

The profit or loss of any subsidiaries acquired or disposed of during the financial year are included in the consolidated comprehensive profit and loss statement from the effective date of acquisition or until to the effective date of disposal, as appropriate.

2.9.2 Business combinations

The Group applied the exception contemplated in IFRS 1 "First-time adoption of International Financial Reporting Standards", so that only business combinations carried out from 1 January 2004—the transition date to IFRS-EU—have been recorded using the acquisition method. Acquisitions of entities prior to that date were recorded in accordance with the previous GAAP, taking the necessary corrections and adjustments on the transition date into account.

The Group has applied IFRS 3 "Business Combinations"—revised in 2008—to transactions carried out from 1 January 2010.

The acquisition date is the date on which the Group gains control of the acquired business.

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the purchase of a subsidiary includes:

- the fair value of the assets transferred
- the liabilities incurred with the previous owners of the business acquired
- the holdings in the equity issued by the group
- the fair value of any asset or liability arising from a contingent consideration agreement, and
- the fair value of any prior holding in the subsidiary's equity.

The identifiable assets acquired, the liabilities and the contingent liabilities assumed in a business combination are, with limited exceptions, initially valued at their fair value on the acquisition date. The group recognises any non-controlling interest in the entity acquired on a basis of acquisition at fair value, or by the proportional part of the non-controlling interest of the net identifiable assets of the entity acquired.

The costs relating to the acquisition are recognised as expenses when they are incurred.

The excess of:

- the consideration transferred
- the amount of any non-controlling interest in the entity acquired, and
- the fair value of any prior holding in the equity of the entity acquired on the acquisition date

over the fair value of the net identifiable assets acquired is recorded as goodwill. If these amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is directly recognised in profit and loss as a bargain purchase.

When payment of any part of the consideration in cash is deferred, the amounts payable in the future are discounted at their actual value on the exchange date. The discount rate used is the entity's incremental borrowing rate of interest, being the rate at which a similar loan may be obtained from an independent financier under comparable terms and conditions.

The contingent consideration is classified as equity or a financial liability. The amounts classified as a financial liability are subsequently revalued at fair value with the changes in fair value being recognised in profit and loss.

If the business combination is carried out in stages, the book value at the date of acquiring the previously held equity holding is revalued at fair value on the acquisition date, and any gain or loss is recognised in profit and loss.

2.9.3 Non-controlling interests

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recorded by the percentage holding at the acquisition date at the fair value of the net identifiable assets. Non-controlling interests in subsidiaries acquired prior to the transition date are recognised by the percentage holding in their equity on the date of first consolidation.

Excess losses attributable to non-controlling interests prior to 1 January 2010 but not allotted to them as they exceeded the total amount of the holding in the equity of the subsidiary, are recorded as a decrease in equity attributable to the Parent Company shareholders, except in cases where the non-controlling interests have a binding obligation to assume a part or all of the losses and they have the capacity to make the necessary additional investment. Profit obtained in subsequent financial years is allotted to the equity attributable to Parent Company shareholders until the total losses absorbed in previous accounting period relating to non-controlling interests are recovered.

From 1 January 2010, profit and loss and each item on the other comprehensive results, are allotted to equity attributable to the Parent Company shareholders and the non-controlling interests in proportion to the holding, even if this involves a debtor balance for non-controlling interests. Agreements entered into between the Group and the non-controlling interests are recognised as a separate transaction.

2.9.4 Associates (Appendix II)

Associates are considered as any companies in which the Parent Company has the ability to exercise significant influence, though it does not exercise either control or joint control. In general terms, it is assumed that significant influence exists when the percentage stake (direct or indirect) held by the Group exceeds 20% of the voting rights, as long as it does not exceed 50%.

Associates are valued using the equity method in the consolidated annual accounts.

The profit (loss) net of tax of the associate companies is included in the Group's consolidated comprehensive profit and loss statement, in the item "Profit (Loss) from entities valued through the equity method", according to the percentage of the Group's stake.

If, as a result of the losses incurred by an associate company, its equity were negative, in the Group's consolidated balance sheet it would be nil; unless there were an obligation on the part of the Group to support it financially.

At each year-end, the existence of indicators of a potential impairment of the investment in the associate is assessed in order to recognise the related impairment loss, where appropriate To determine the fair value of investments in companies whose sole asset consists of property inventories, appraisals were obtained from the same independent valuer that appraised the Group's inventories. In the case of the other companies, discounted cash flow valuations were performed internally, similar to those described in Note 4.4.

2.9.5 Changes in the scope of consolidation

Additions to the scope of consolidation

On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome. Florence, Venice, Prague, Nice and Budapest (Note 6, Business combinations).

It also created the company, NH Strandgade APS in Copenhagen and two companies in Italy, NH Italia Real Estate, S.r.l. and NH Holding Srl. These companies are currently non trading but the objective is for them to become hotel operators.

In October 2019, the Group formed the company Anantara The Marker Ltd to acquire the company GCS Hotel Limited, operator of The Marker hotel in Dublin (Note 6, Business combinations).

Disposals

In December 2020 the Group sold 100% of its investment in the company Onroerend Goed Beheer Maatschappij Bogardeind Geldrop B.V., owner of the NH Geldrop hotel in Holland. The sale involved a cash entry of 6,359 thousand euros. The sale did not have a significant impact on the profit (loss) for the year.

On 1 July 2020 the Group sold 100% of its investment in the company Onroerend Goed Beheer Maatschappij Mass Best B.V., owner of the NG Best hotel in Holland. The sale involved a cash entry of 3,262 thousand euros. The sale did not have a significant impact on the profit (loss) for the year.

In January 2019, the Group sold the 49% shareholding it held in Beijing NH Grand China Hotel Management Co, Ltd. This sale resulted in a cash inflow of 1.9 million euros and has not had a significant impact on profits for the year.

Mergers and demergers

To simplify the group's corporate structure, in April 2020 the Argentine company Latina de Gestión Hotelera, S.A. absorbed Inmobiliaria y Financiera Aconcagua, S.A., Edificio Metro, S.A., Polis Corporación, S.A. and Blacom, S.A. Latina de Gestión Hotelera also spun off its investment in the Chilean company Latina Chile, S.A. to the new company Latina Holding S.A.U.

In December, on the other hand, Hoteles Royal, S.A. spun off the investments it had in Chile in the companies Eurotels Chile, S.A., Inmobiliaria Royal, S.A., Royal Santiago Hotel, S.A. plus Rhinco Inc—the investment it had in the United States—to the new company Inversiones Chilenas, S.A.

Hoteles Royal, S.A. also absorbed: Hoteles la Boheme LTDA, Hotel Hacienda Royal LTDA, Hotel Andino Royal, S.A., Hotel Pavillon Royal LTDA, Sociedad operadora Urban Royal Calle 26, S.A.S., Sociedad Operadora calle 100 Royal S.A.S, Hotel Pacifico Royal LTDA, Hotel Parque Royal S.A.S, Sociedad Hotelera Calle 74 LTDA, Sociedad operadora Barranquilla Royal S.A.S, Sociedad Operadora Cartagena Royal SAS and Hotel Medellin Royal LTDA, to simplify the group´s corporate structure in Colombia.

3.- PROPOSED DISTRIBUTION OF PROFITS

At the Ordinary General Shareholders' Meeting, the Parent Company's directors will propose that the losses on the results for the financial year ended on 31 December 2020 be applied to the "Previous years' losses" account to be offset in future financial years.

Furthermore, on 25 February 2020, the Board of Directors agreed the following proposal for application of the profit/loss (in thousands of Euros) for the financial year ended on 31 December 2019:

	2019
To legal reserve	15,894
To voluntary reserves	84,275
To distribution of dividends	58,771
Total	**158,940**

On 28 April 2020, in light of the Covid-19 situation, the Company's Board of Directors agreed to withdraw the proposal that considered the distribution of a gross dividend of 0.15 euros per share. The Board Meeting also decided that, on the call of the Shareholders' Meeting, it would prepare an alternative proposal adjusted to the new situation, making the statement of the auditor to which Article 40 6 bis of Royal Decree-Law 8/2020 refers available to shareholders. This was duly communicated as Privileged Information to the National Securities Market Commission on 28 April 2020 and registration number 194.

In light of the foregoing, the General Shareholders' Meeting on 16 July 2020 approved, among other items, the new proposal detailed below:

	2019
To legal reserve	15,894
To voluntary reserves	143,046
Total	**158,940**

4.- VALUATION STANDARDS

The main principles, accounting policies and valuation standards applied by the Group to draw up these consolidated financial statements, which comply with IFRS in force on the date of the relevant financial statements, have been the following:

4.1 Property, plant and equipment

Tangible fixed assets are valued at their original cost. They are subsequently valued at their reduced cost resulting from cumulative depreciation and, as appropriate, from any impairment losses they may have suffered.

Due to the transition to IFRS, the Group reappraised the value of some land to its market value on the basis of appraisals made by an independent expert for a total amount of 217 million euros. The reappraised cost of such land was considered as a cost attributed to the transition to the IFRS. The Group followed the criterion of not re-valuing any of its tangible fixed assets at subsequent year-ends.

Enlargement, modernisation and improvement costs entailing an increase in productivity, capacity or efficiency or a lengthening of the assets' useful life are recognised as increases in the cost of such assets. Conservation and maintenance costs are charged against the consolidated comprehensive profit and loss statement for the year in which they are incurred.

Withdrawn assets and items, whether arising as a result of a modernisation process or due to any other cause, are accounted for by derecognising the balances presented in the corresponding cost and accumulated depreciation accounts.

The Group depreciates its property, plant and equipment following the straight line method, distributing the cost of the assets over their estimated useful lives, in accordance with the following table:

	Estimated years of useful life
Buildings	33-50
Plant and machinery	10-30
Other plant, fixtures and furniture	5-10
Other fixed assets	4-5

These items are depreciated based on their estimated useful life or the remaining term of the lease, if this is less than the useful life.

The profit or loss resulting from the disposal or withdrawal of an asset is calculated as the difference between the profit from the sale and the asset's book value, and is recognised in the consolidated comprehensive profit and loss statement.

4.2 Goodwill

Goodwill is determined from the criteria set out in the section on business combinations.

Goodwill is not amortised, but its impairment is checked annually or earlier if there are indications of a potential loss in asset value. For these purposes, the goodwill resulting from the business combination is assigned to each of the Group's cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies

of the combination and have the criteria referred to in section 4.4 (impairment) applied. After initial recognition, goodwill is valued at cost less accumulated impairment losses.

At the time of the disposal of a subsidiary or jointly controlled entity, the amount attributable to the goodwill is included when determining the profits or losses arising from the disposal.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is valued in the functional currency of the acquired company, with the conversion to euros being made at the exchange rate prevailing at the balance sheet date.

Internally generated goodwill is not recognised as an asset.

4.3 Other intangible assets

Other intangible assets are considered to be any specifically identifiable non-monetary assets which have been acquired from third parties or developed by the Group. Only those whose cost can be estimated in an objective way and from which future economic profits are expected are recognised.

Other intangible assets are initially recognised at acquisition or production cost and are subsequently measured at cost less, as appropriate, their accumulated amortisation and any impairment losses they have suffered.

Any assets deemed to contribute indefinitely to the generation of profits are considered to have an indefinite useful life. The remaining intangible assets are considered have a “finite useful life”.

Other intangible assets with an indefinite useful life are not amortised and are hence subjected to the “impairment test” at least once a year (Note 4.4).

Other intangible assets with a finite useful life are amortised according to the straight-line method on the basis of the estimated years of useful life of the asset in question.

The following are the main items recognised under the “Other intangible assets” heading:

i) Hotel operating rights: As a consequence of entering into the consolidation of Hoteles Royal, S.A., the Group recognised operating rights of the hotel portfolio for 35 years within this concept. Furthermore, in the 2020 financial year, with the entry of Boscolo Hotels into the scope of consolidation, operating rights of the hotels where operation has commenced with this business combination were recognised lasting 31 years.

ii) “Concessions, patents and trademarks” basically reflect the disbursements made by Gran Círculo de Madrid, S.A. for the refurbishment and remodelling of the building where the Casino de Madrid is located. The amortisation of such works is calculated on a straight-line basis by taking into account the term of the concession for operating and managing the services provided in the building where the Casino de Madrid is located, which finalises on 1 January 2037. Furthermore, this item includes the brands of the Grupo Royal with a useful life of 20 years.

iii) “Computer applications” include the costs incurred by the Group Companies in the acquisition and development of various computer software programmes acquired by the different consolidated companies. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.

iv) Other Rights: this item reflects the right of usufruct on Hotel NH Plaza de Armas in Seville, acquired in 1994, whose amortisation is recognised in the income statement over the 30-year term of the agreement at a rate which increases by 4% each year.

4.4 Impairment to non-financial assets subject to amortisation or depreciation

The Group evaluates the possible existence of a loss of value each year that would oblige it to reduce the carrying amounts of its tangible and intangible assets. A loss is deemed to exist when the recoverable value is less than the carrying amount.

The recoverable amount is determined as the value in use, with the sole exception of some cases in which the valuation of an independent third party was used as the recoverable amount. The value in use is calculated from the estimated future cash flows, discounted at a discount rate after tax that reflects the current market valuation with respect to the value of money and the specific risks associated with the asset, covering a five-year period and a perpetual value, except in the case of leased hotels that correspond to the term of the lease, a perpetual value therefore not being considered in the latter.

Moreover, and regardless of the existence of any indication of impairment, the Group, at least once a year, checks potential impairment that may affect goodwill.

The recoverable value should be calculated for an individual asset, unless the asset does not generate cash entries which are, by and large, independent of those relating to other assets or groups of assets. If this is the case, the recoverable value is calculated for the Cash-Generating Unit (CGU) it belongs to. As a general rule, the Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

If there are signs of impairment in a CGU that goodwill could not be allotted to goodwill, the Group checks, in the first place, the impairment to the CGU, without including goodwill and recognises, as appropriate, the impairment loss at the level of the CGU. Subsequently, the Group checks the impairment in the group of CGUs to which goodwill was allotted and recognises, as appropriate, the impairment loss at the level of the groups of CGUs.

In the case of Hoteles Royal, S.A., where the whole business of Grupo Royal was acquired and whose purchase was effective in 2015, the cash-generating unit corresponds to the Group as a whole (Colombian, Chilean and Ecuadorian market).

In 2020, with the acquisition of the Boscolo Hotels Group, goodwill was generated which was allotted to a single cash generating group unit that relates to the entire Group.

The operating result for each CGU is obtained at the end of the year without taking non-recurring results (if any) or financial results into account. Once the operating result is obtained for each CGU, the impairment test is performed for those in which there are indications of impairment. Among others, the Group considers that a CGU has indications of impairment if it meets the following conditions: it has negative operating results and its business is stable (they have been open for 3 years).

As an exception, given the current economic situation as a result of the pandemic caused by Covid-19, analyses have been carried out to determine if there is any impairment to the CGUs as a whole.

Losses due to impairment of the CGU initially, if appropriate, reduce the value of the goodwill allotted to it, and subsequently to the CGU's other assets, pro rata depending on the book value of each one of the assets, with the limit for each one of them of the greater of their fair value less the costs of disposal and its value in use.

On each closing date the Group assesses whether there are any indications that impairment losses recognised in previous years no longer exist or may have decreased. Impairment losses relating to goodwill are not reversible. Impairment losses on the remaining assets are only reversed if a change has occurred in the calculations used to determine the asset’s recoverable value. Reversal of the impairment loss is recorded as a credited to profit and loss.

4.5 Leases

At the beginning of a contract, the Group assesses whether it contains a lease. A contract is, of contains, a lease if it gives the right to control the use of the asset identified during a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially valued based on their present value. Leasing liabilities include the net present value of the following leasing payments:

- Fixed payments (including fixed payments in essence), less any lease incentive collectable.
- Variable payments for leases that reply on an index or rate, initially valued according to the index or rate on the start date.
- Amounts expected to be paid by the group for residual value guarantees.
- The price to exercise a purchase option if the group is reasonably certain that it will exercise that option.
- Penalty payments terminating the lease if the term of the lease reflects the group exercising that option.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

The general determination of not including unilateral extension of contracts as a part of their term, is based on the Group´s historical experience. The windows for renewal have historically been used as renegotiation windows, unless the market situation was clearly favourable for the Group. Therefore, given that hotel rental agreements are normally signed with a first term that is higher than a macroeconomic cycle (5 years), our experience shows that is it highly probable that some unknown event may occur on the date the agreement is signed, and which may significantly affect such judgment. The attacks in Europe, in Brussels or in Nice, serve as an example, as does the actual pandemic, as they changed the economic paradigm and affected the frameworks for negotiating rent. Furthermore, to determine the term for lease agreements, the term for recovering the investments made in it are taken into account.

To determine lease terms, there are no penalties for not exercising the extensions mentioned above, nor have early terminations with penalties been included.

Contracts may contain leasing and non-leasing components. The Group assigns the consideration in the contract to the leasing and non-leasing components based on their relative independent prices. For real estate leases in which the Group cannot separate the leasing and non-leasing components, it accounts for them as a single leasing component.

Leasing payments are discounted using the implicit interest rate in the lease. If this rate cannot be easily determined, which is generally the case for the group's leases, the incremental interest rate is used. The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment
- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its geo-economics specificities and from which the calculation process consists of bringing each of the discounted flows to the

present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows.

Potential future increases in variable payments for leases based on an index or rate are not included in leasing liabilities until they take effect. When the adjustments to the leasing payments based on an index or rate take effect, the leasing liability is assessed again and set against the asset for right of use.

Leasing payments are allocated between principal and financial cost. The financial cost is charged to profit/ (loss) during the leasing period in a manner that creates a periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are valued at cost that comprises the following:

- The initial valuation amount of the leasing liability.
- Any leasing payment made on or before the state date, less any incentive to lease received.
- Any initial indirect cost.
- Restoration costs.
- Incentives to lease received from the lessor.
- Provision on onerous contracts.

In application of IFRS 16, all rent that does not come under the definition of fixed payments in substance and, therefore, is outside the Group's maximum compulsory commitment, as they are not inevitable, is recorded as an operational expense for the year.

Therefore, the Group records variable rent that is linked to exploitation of the underlying assets as an expense, along with those arising from percentages of sales and other similar reference points. Moreover, all rent that, in application of IFRS 16, are outside the Group's maximum compulsory commitment are recorded as an operational expense for the year.

Variable rents that are not, in essence, fixed and the way in which they may involve a liability for the Group would be that the flows arising from exploitation of the CGU are estimated to be negative and, therefore, the Group would be obliged to record a provision for onerous contracts.

An amendment to IFRS 16 was approved by the IASB on 28 May 2020 to help accounting for changes in leases resulting from the pandemic caused by Covid-19. The amendment establishes an exemption in which rental concessions caused by Covid-19 may not be recorded as amendments to the lease (Note 2.2.2).

4.6 Financial instruments

4.6.1 Financial assets

Financial assets are recognised in the consolidated balance sheet when they are acquired and initially recognised at their fair value. The financial assets held by Group companies are classified as follows:

- Financial assets at fair value through profit or loss are those assets acquired by the companies with the objective of obtaining the contractual flows and selling them; or those assets that do not consist exclusively of the payment of the principal and interest and the management model is the sale of the same, in general terms, practically all of the variation in the fair value of the Group's financial assets are recorded with a charge to the consolidated statement of changes in equity. Interest income, exchange rate differences and impairment losses are recognised in the income statement and other gains or losses are recognised in "Other comprehensive profit and loss" in equity. Any cumulative gain or loss recognised in equity is reclassified to profit or loss at the time of derecognition.

- Financial assets at amortised cost: assets whose contractual cash flows consist exclusively of principal and interest payments and, if the management model of such assets is to hold them to obtain the contractual flows. In this case, the Group records any changes in value with a charge to the consolidated comprehensive profit and loss statement.

Transaction costs at the time of acquisition are recognised as an increase in acquisition cost or as an expense, depending on whether the financial asset being transacted is considered at fair value through profit or loss.

Fair value of a financial instrument on a given date is construed as the amount for which it could be bought or sold on that same date by two knowledgeable parties acting freely and prudently under conditions of mutual independence.

Interest accrued on financial assets at amortised cost is recognised in the consolidated comprehensive profit and loss statement on the basis of the effective interest rate. Amortised cost is construed as the initial cost minus any collections or amortisation of the principal, taking into account any potential reductions based on expected loss.

As regards valuation corrections made to trade and other accounts receivable in particular, the criterion used by the Group to calculate the corresponding valuation corrections, if any, generally consists of provisioning according to the expected loss based on the credit risk of the customer portfolio.

The Group derecognises financial assets when the cash flow rights of the corresponding financial asset have expired or have been transferred and the risks and rewards incidental to its ownership have been substantially all transferred.

Conversely, the Group does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in the transfers of financial assets in which the risks and rewards inherent in its ownership are substantially all retained.

Trade debtors and other receivables

Accounts receivable arising from trading operations are initially recorded at their transaction price and, subsequently, a value correction is made for expected credit losses. Expected credit losses—due to the fragmentation of the Group's trade debtors—are estimated taking the history of losses due to non-payment with respect to the Group's sales and open items into account. For the value correction, in the current situation of uncertainty caused by Covid-19, a detailed analysis is being carried out. To do so, all entries considered to be at risk are being monitored and plans for collecting their payment are being made, or provisions being made for those considered to be at risk of recovery.

Furthermore, the group’s credit risk tools are being used, with a default insurance policy for the clients included in the policy, and for which, in the event of there not being certainty about payment, the requirements of the policy to claim the amounts as an “incident” are being followed.

4.6.2 Cash and cash equivalents

“Cash and Cash Equivalents” in the consolidated balance sheet includes cash, demand deposits and other short-term, highly liquid investments that can be realised in cash quickly and are not subject to a risk of changes in value.

4.6.3 Financial liabilities

Issues of bonds and other securities

Debt issues are initially recognised at the fair value of the consideration received, less the costs directly attributable to the transaction. They are subsequently valued at their amortised cost using the effective interest

rate method. Bonds with a maturity date greater than twelve months are classified under non-current liabilities, while those with a maturity date of less than twelve months are included in current liabilities.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

Convertible bond issues are recognised at the time of their issue, distributing the fair value of the consideration received between their equity and liability components, assigning the residual value obtained after deducting the amount established separately for the liability component, from the fair value of these instruments as a whole, to the equity instrument. The value of any derivative embedded in the compound financial instrument other than the equity component will be included in the liability component.

Bank loans

Loans received from banking institutions are recognised at the amount received, net of costs incurred in the transaction. They are subsequently valued at amortised cost. These costs incurred in the transaction and the financial expenses are recognised on an accrual basis in the consolidated comprehensive profit and loss statement using the effective interest rate method, and their amount is added to liabilities to the extent to which they are not settled in the period they were produced.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

Trade and other payables

Trade accounts payable are initially recognised at fair value and are subsequently valued at amortised cost using the effective interest rate method.

Derivatives and hedge accounting

Derivatives used to hedge the risks to which the Group's operations are exposed, mainly exchange and interest rate risks, are valued at market value on the date they are contracted. Any subsequent changes in their market value are recognised as follows:

- Concerning fair value hedges, the differences produced in both the hedging elements as well as in the hedged elements (regarding the kind of risk hedged) are directly recognised in the consolidated comprehensive profit and loss statement.

- For cash flow hedges, valuation differences in the effective part of the hedge elements are temporarily recognised in the equity item "Equity valuation adjustments" and their adjustment is recognised as a lower or higher cost in the initial recognition of the item.

Hedge accounting is interrupted when the hedging instrument expires or is sold or finalised or exercised, or when it no longer meets the hedge accounting criteria. At that time, any cumulative gain or loss corresponding to the hedging instrument that has been recognised in equity is kept there until the expected transaction is undertaken.

When the transaction covered by the hedge is not expected to take place, the net cumulative gains or losses recognised in equity are transferred to the profit or loss for the period. Any changes in the fair value of derivatives which fail to meet hedge accounting criteria are recognised in the consolidated comprehensive profit and loss statement as they arise.

Derivatives embedded in other financial instruments or in other main contracts are recognised separately as derivatives only when their risks and characteristics are not closely related to those of the main contract and providing such main contracts are not valued at fair value with changes through consolidated comprehensive profit and loss.

Valuation techniques and assumptions applying to the measurement of fair value

The fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities under standard terms and conditions which are traded in active liquid markets are based on market prices.
- The fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models on the basis of cash flow discounting using the price of observable market transactions and contributor listings of similar instruments.
- In order to determine the fair value of interest rate derivatives, cash flow discounting is used based on the implicit flow determined by the interest rate curve according to market conditions. In order to determine the fair value of options, the Group uses the Black-Scholes valuation model and its variants, using for this purpose market volatilities for the strike and maturity prices of said options.

Any financial instruments valued after their initial recognition at fair value are classified as level 1 to 3 based on the extent to which fair value can be observed:

- Level 1: includes any instruments indexed to listed prices (without adjustment) of identical assets or liabilities in active markets.
- Level 2: includes any instruments indexed to other observable inputs (which are not the listed prices included under Level 1) for assets or liabilities, be it directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: includes any instruments indexed to valuation techniques, which include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

4.6.4 Equity instruments

An equity instrument represents a residual interest in the equity of the Parent Company once all its liabilities are subtracted.

Equity instruments issued by the Parent Company are recognised in equity for the amount received, net of the issue expenses.

4.7 Non-current *assets* and associated liabilities held for sale and discontinued operations

Assets and liabilities the carrying amount of which is recovered through a sale and not from continued use are classified as non-current assets held for sale and liabilities associated with non-current assets held for sale. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current state, and it is estimated that the sale will be completed within one year from the date of classification.

Non-current assets and associated liabilities classified as held for sale are valued at the lower of their historic cost or their fair value less selling expenses.

Discontinued operations represent components of the Group which will be disposed of. These components are activities and cash flows that can be clearly distinguished from the rest of the Group, both operationally and for

the purposes of financial reporting, and represent lines of business or geographical areas which can be considered as separate from the rest.

4.8 Classification of financial assets and debts into current and non-current

In the attached consolidated balance sheet, financial assets and debts are classified on the basis of their maturity; in other words, those with a maturity date equivalent to or less than twelve months are classified as current and those with a maturity date exceeding this are non-current.

4.9 Income and expenses

Income and expenses are recognised on an accrual basis, i.e. when the control of goods and services they represent has been transferred, irrespective of the moment when the monetary or financial flows deriving from them arise.

More specifically, income is calculated at the fair value of the consideration to be received and represents the amounts to be collected for the goods and services delivered within the ordinary framework of operations, subtracting any discounts and taxes.

Sale of rooms and other related services

Income from the sale of rooms and other related services is recognised daily based on the services provided by each hotel, including customers who are still staying at the hotel at the close of each day. In this respect, the Group recognises the income when the service is considered to be provided and, therefore, fulfils the obligation for performance assumed on check-in. Due to this, for example, in the case of an accommodation service that covers several nights, the income is recognised on a daily basis for each one of the overnight stays.

The consideration received is distributed among the contracted services. These include direct services such as room, food, drink and other consumption, and others related to banquets, events and the rental of spaces. Therefore, the obligations are completely separate and they are recorded at the time they occur.

In the case of the sale of several services together, such as, for example, an accommodation service with one for breakfast, the Group, when it makes the offer, sets the price for each one of the obligations assumed, for which reason at the time the services is considered to be provided the income is recorded at the price set beforehand. Solely in the case of promotions where the service is provided “free-of-charge” with the other one, the Group applies a methodology where the consideration is divided using a ratio calculated by hotel based on the costs of the service at that hotel plus an additional margin.

Provision of services

The Group recognizes the income from its hotel management contracts in the year in which the services are provided, based on the evolution of the variables that determines this income and which are mainly the total income and the gross operating profit of each hotel managed by the Group.

Loyalty programme

With regarding to the accounting treatment of the “NH Rewards” customer loyalty programme, we consider that if awarding points gives a significant right to the customer, then it effectively pays the company for future goods or services in advance, and the company should recognise the income from ordinary activities when the points are redeemed or when they expire.

Therefore, when the significant right is generated, the Group records a provision for the estimated equivalent value, partly lowering the income from the sale coupled with the issue of the right. When points are redeemed the income from the transaction is recorded and the provision is derecognised.

The estimated value of the significant right is calculated, showing the discount the customer would receive when exercising the option (one Euro for each point the customer has collected) and taking the two following aspects into account:

- any discount the customer may receive without exercising the option; and
- the probability that the option will be exercised.

The amount of the provision relating to the loyalty programme is recorded in current liabilities on the consolidated balance sheet.

4.10 Official subsidies

Group companies follow the criteria set out below in recognising official subsidies:

– Non-reimbursable capital subsidies (connected with assets) are valued at the amount granted, recognised as deferred income and taken into profit and loss in proportion to the depreciation of the assets financed by such subsidies during the financial year.

– Operating subsidies are recorded as a reduction of the expenses they finance.

4.11 Corporate income tax

The cost of the year's corporation tax is calculated through the sum of the current tax resulting from applying the tax rate to the taxable income for the year and then applying the relevant tax adjustments according to the law plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences, being any amounts expected to be payable or recoverable due to differences between the carrying amounts of the assets and liabilities and their tax value, as well as tax loss carry-forwards and any credits resulting from unapplied tax deductions. Said amounts are recognised by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or settled.

In some countries, the tax rate varies depending on whether a transfer of assets is made. In these cases, the Group's policy consists of applying the effective tax rate at which they are expected to be recovered or settled. In the opinion of the Parent's Directors, the deferred tax thus calculated covers the amount which may eventually be settled, if any, in the foregoing case.

Deferred tax liabilities for all taxable temporary differences are recognised, except for those in which the temporary difference arises from the initial recognition of goodwill amortisation of which is not tax-deductible or the initial recognition of other operating assets and liabilities which do not affect either the tax or accounting result.

Deferred tax assets identified as temporary differences are recognised only if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to realise them and they do not come from the initial recognition of other assets and liabilities in a transaction which does not affect either the tax or accounting result. Other deferred tax assets (tax loss carry-forwards and tax credits) are recognised only if it is likely that the consolidated companies will make sufficient tax profits in the future to be able to apply them.

At each year-end, deferred taxes (both assets and liabilities) are reviewed in order to verify that they remain in force and the relevant corrections are made in accordance with the outcome of the analyses conducted.

4.12 Obligation to employees

Spanish hotel companies are obliged to make a specific number of monthly salary payments to those employees who leave the company due to retirement, permanent disability or upon reaching a certain age and having a certain number of years of service and fulfilling certain pre-established requirements.

In this regard and in compliance with Royal Decree-Law 16/2005, the Group has outsourced its pension obligations for its employees' pension plans.

Also, in accordance with Italian law, employees of Italian companies have the right to compensation if they resign or are dismissed.

Its obligations to personnel also include those arising from contracting pension funds for certain employees, which in the Group, mainly affects the business units of Italy and the Netherlands.

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under “Provisions for Risks and Charges” (Note 21).

4.13 Onerous contracts

The Group considers onerous agreements to be those in which the inevitable costs of fulfilling the obligations they entail exceed the economic benefits expected from them.

The Group follows the principle of recording a provision at the present value of the aforementioned differences between the costs and benefits of the contract, or the compensation foreseen for abandonment of the contract, if such is decided.

4.14 Share-based Remuneration Schemes

These schemes, which are settled in shares, are valued at the time of granting, using a financial method based on a binomial model which takes into consideration the strike price, volatility, the exercise period, the expected dividends, the risk-free interest rate and the assumptions made concerning the financial year.

In accordance with IFRS 2, the above-mentioned valuation is recognised in profit or loss under personnel expenses during the period established as a requirement for the employee to remain in the company before exercising the option. Said value is recognised on a straight-line basis in the consolidated comprehensive profit and loss statement from the date the option is granted until the date on which it is exercised.

On each subsequent closing date, the Group reviews the estimates regarding the number of options expected to be exercisable, adjusting the equity figure if necessary.

4.15 Treasury shares

Pursuant to IAS 32, treasury shares are presented by reducing the Group’s equity. Treasury shares are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated comprehensive profit and loss statement.

4.16 Provisions and obligations to employees

The Group follows the policy of provisioning for the estimated amounts arising from ongoing litigation, indemnities or obligations, as well as for any sureties or guarantees granted by Group companies which could involve the Group in a payment obligation (either legal or implicit), provided the amount can be reliably estimated.

Provisions are quantified based on the best information available on the position and evolution of the events that cause them and are re-estimated at the end of each reporting period, being totally or partially reversed when these obligations cease to exist or decrease.

Contingent liabilities, except in business combinations, are not recognised in the consolidated financial statements, but are reported in the notes to the financial statements, in accordance with the requirements of IAS 37.

The consolidated balance sheet at 31 December 2020 includes, pursuant to IFRS (IAS 37), a provision of 1,661 thousand euros for this item (841 thousand euros at 31 December 2019).

4.17 Environmental policy

Investments arising from environmental activities are valued at their original cost and capitalised as increases in the cost of fixed assets or inventory in the financial year in which they are incurred.

Any expenses arising from environmental protection and improvement are recognised in the consolidated comprehensive profit and loss statements for the year in which they are incurred, irrespective of the moment when the cash or financial flows deriving from them arise.

Provisions for likely or certain liabilities, ongoing litigation and outstanding indemnities or obligations of an indeterminate amount connected with the environment and not covered by the insurance policies taken out are established at the time the liability or obligation linked to the indemnities or payment arises.

4.18 Consolidated cash flow statements

The following terms with their corresponding explanation are used in the consolidated cash flow statement prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operational activities: the typical activities of the entities forming the consolidated group, along with other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5.- PROFIT/(LOSS) PER SHARE

Profit (Loss) per share is calculated by dividing the net profit or loss attributable to the Group in a period by the weighted average number of shares in circulation during the period, excluding the average number of treasury shares held during the same period.

In accordance with this:

	31.12.2020	31.12.2019
Net Profit/(Loss) for the year (thousands of euros)	(437.159)	89.964
Weighted average number of shares in circulation (in thousands)	391.965	391.754
Basic Earnings per share (basic and diluted) in euros	**(1,115)**	**0,230**

6. BUSINESS COMBINATIONS

On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome. Florence, Venice, Prague, Nice and Budapest. The Group operates through the following companies:

- Hungarian Opco New York Palace K.F.T.
- Italian OpCo Roco Hospitality Group, S.R.L.
- Czech Opco AGAGA, s.r.o.

The hotels are run under the variable rent with a guaranteed minimum system.

The amount of the initial consideration for the acquisition of the Boscolo Hotels Group was 50,491 thousand euros, to which 2,147 million euros was added relating to the net working capital position at the integration date. Both amounts were wholly paid up at the time of acquisition. After a subsequent review of the net working capital position and an additional agreement with the vendor, the Group recorded an account receivable with the vendor of 6,900 thousand euros, recorded under the "Other non-trade debtors" heading.

The consideration, the final fair values of the assets and liabilities identified at the time of acquisition and the final goodwill are set out below:

Item	Thousands of euros
Other intangible assets (Note 10)	51,187
Property, plant and equipment (Note 7)	850
Right-of-use assets (Note 8)	52,629
Deferred tax assets (Note 19)	5,610
Other non-current assets	150
Cash and cash equivalents	2,722
Other current assets	2,097
Leasing liabilities (Note 8)	(52,629)
Provisions for contingencies and costs (Note 21)	(4,710)
Deferred tax liabilities (Note 19)	(11,458)
Other current liabilities	(12,168)
Fair value of the acquired entity's net assets	**34,280**
Net Consideration	**45,738**
Goodwill (Note 9)	**11,458**

The fair values of the assets and liabilities acquired were estimated internally based on the Group's past experience.

The inflow of Boscolo Hotels has involved a negative effect of 11.3 million euros on the consolidated comprehensive income statements at 31 December 2020. The negative effect was mainly caused by the effects of Covid-19.

In October 2019, the Group formed the company Anantara The Marker Ltd to acquire the company GCS Hotel Limited, operator of The Marker hotel in Dublin. The acquisition cost was 13,652 thousand euros and the inclusion of these companies has had the following effects on the consolidated balance sheet:

Item	Thousands of euros
Property, plant and equipment (Note 7)	4,032
Rights of use (See Note 8)	9,428
Current assets	2,257
Current liabilities	(2,065)
Fair value of the acquired entity's net assets	**13,652**
Net Consideration	**(13,652)**

The entry of this company did not have a significant effect on the consolidated comprehensive income statements at 31 December 2019.

7.- PROPERTY, PLANT AND EQUIPMENT

The breakdown and movements in the year were as follows (in thousands of euros):

	Thousands of euros				
	Land and buildings	**Plant and machinery**	**Other fixtures, tools, furniture and others**	**Property, plant and equipment in progress**	**Total**
Cost, allotted cost, revalued cost	1,647,261	838,501	452,211	74,286	3,012,259
Accumulated amortisation	(381,829)	(540,355)	(336,278)	—	(1,258,462)
Impairment losses	(27,472)	(8,570)	(4,632)	—	(40,674)
Net Book Value at 01 January 2020	**1,237,960**	**289,576**	**111,301**	**74,286**	**1,713,123**
Cost, allotted cost, revalued cost					
Inclusions	1,740	39,076	23,276	31,953	96,045
Retirements	(8,869)	(28,224)	(37,013)	(1,601)	(75,707)
Business combinations (Note 6)	—	171	472	207	850
Changes in the scope of consolidation	(13,618)	(649)	(222)	154	(14,335)
Transfers	(5,975)	6,803	12,418	(13,149)	97
Transfers of assets held for sale and disposable groups of items (Note 16)	10,495	—	—	—	10,495
Exchange differences and IAS 29 impact	(22,725)	(4,853)	(3,695)	(6,264)	(37,537)
Accumulated amortisation					
Inclusions	(23,297)	(45,652)	(31,119)	—	(100,068)
Retirements	3,607	23,719	35,785	—	63,111
Changes in the scope of consolidation	2,344	306	657		3,307
Transfers	—	2,427	(2,443)	—	(16)
Exchange differences and IAS 29 impact	4,828	3,895	2,183	—	10,906
Impairment losses					
Impairment losses recognised in profit and loss	(48,252)	(6,105)	(2,370)	—	(56,727)
Transfers	2,156	84	—	—	2,240
Exchange differences and IAS 29 impact	—	140	—	—	140
Balance at 31 December 2020	**1,140,394**	**280,714**	**109,230**	**85,586**	**1,615,924**
Cost, allotted cost, revalued cost	1,608,309	850,825	447,447	85,586	2,992,167
Accumulated amortisation	(394,347)	(555,660)	(331,215)	—	(1,281,222)
Impairment losses	(73,568)	(14,451)	(7,002)	—	(95,021)
Net Book Value at 31 December 2020	**1,140,394**	**280,714**	**109,230**	**85,586**	**1,615,924**

	Thousands of euros				
	Land and buildings	**Plant and machinery**	**Other fixtures, tools, furniture and others**	**Property, plant and equipment in progress**	**Total**
Cost, allotted cost, revalued cost	1,641,246	793,447	444,646	50,556	2,929,895
Accumulated amortisation	(360,607)	(538,142)	(347,731)	—	(1,246,480)
Impairment losses	(32,948)	(5,071)	(7,678)	—	(45,697)
Net Book Value at 1 January 2019	**1,247,691**	**250,234**	**89,237**	**50,556**	**1,637,718**
Cost, allotted cost, revalued cost					
Inclusions	8,296	80,881	42,409	39,765	171,351
Retirements	(1,946)	(47,223)	(41,586)	(32)	(90,787)
Business combinations (Note 6)	—	2,842	1,190	—	4,032
Transfers	1,723	9,533	5,352	(16,563)	45
Exchange differences and IAS 29 impact	(2,058)	(979)	200	560	(2,277)
Accumulated amortisation					
Inclusions	(24,044)	(45,995)	(29,092)	—	(99,131)
Retirements	1,391	43,076	40,192	—	84,659
Transfers	—	—	(10)	—	(10)
Exchange differences and IAS 29 impact	1,431	706	363	—	2,500
Impairment losses					
Impairment losses recognised in profit and loss	5,474	(3,499)	3,024	—	4,999
Transfers	—	—	22	—	22
Exchange differences and IAS 29 impact	2	—	—	—	2
Balance at 31 December 2019	**1,237,960**	**289,576**	**111,301**	**74,286**	**1,713,123**
Cost, allotted cost, revalued cost	1,647,261	838,501	452,211	74,286	3,012,259
Accumulated amortisation	(381,829)	(540,355)	(336,278)	—	(1,258,462)
Impairment losses	(27,472)	(8,570)	(4,632)	—	(40,674)
Net Book Value at 31 December 2019	**1,237,960**	**289,576**	**111,301**	**74,286**	**1,713,123**

The main additions occurring during the 2020 financial year relate to hotel refurbishment and opening new hotels. Of note is the refurbishment on the NH Sants Barcelona and NH Plaza de Armas in Spain, the renovations of the NH Napoli Panorama, NH Palermo, NH Trieste, NHC Roma Vittorio Veneto and NH Milano Touring in Italy, the refurbishment on the NH Heidelberg, NH Munchen Airport, NH Frankfurt Airport and NH Salzburg City in Central Europe, the refurbishment on the NH Conference Center Leeuwenhorst NH Amsterdam Caransa, NH Brussels Airport, NH Brussels Bloom and NH Luxembourg hotels in Benelux, and in Latin America the refurbihments of NHC Monterrey San Pedro and NH Ciudad de Santiago hotels. Finally, in New York, refurbishment of the NH New York Jolly Madison Towers.

The effect on the profit and loss account of assets de-recognised, replaced or disposed of to third parties outside the Group was a loss of 1,668 thousand euros (a loss of 4,627 thousand euros in 2019), recognised under "Profit/ (loss) on the disposal of non-current assets" in the 2020 consolidated comprehensive profit and loss statement.

The net entries for the year included in the “Business combination” and “Changes in the scope of consolidation” rows come, on the one hand, from the sales of the companies Onroerend Goed Beheer Maatschappij Maas Best, B.V., owner of the NH Best hotel, and Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V., owner of the NH Geldrop hotel, both in Holland (Note 2.9.5), and the acquisition of the Boscolo Hotels Group comes under business combinations (Note 6).

At 31 December 2020, there were tangible fixed asset elements with a net book value of 208 million euros (232 million euros in 2019) to guarantee several mortgage loans (Note 18).

The Group has taken out insurance policies to cover any possible risks to which the different elements of its tangible fixed assets are subject, and to cover any possible claims that may be filed against it in the course of its activities. It is understood that such policies sufficiently cover the risks to which the Group is exposed.

At 31 December 2020, firm purchase undertakings amounted to 17.3 million euros. These investments will be made between 2021 and 2022 (37.8 million euros in 2019).

8.- LEASES

The breakdown and movements under this heading were as follows (in thousands of euros):

	Thousands of euros		
	Real estate	**Premiums for contracts and other rights**	**Total**
Net Book Value at 01 January 2019	**1,725,598**	**21,725**	**1,747,323**
Changes	120,146	1,928	122,074
Business combinations (Note 6)	—	9,428	9,428
Reversal of impairment losses recognised in profit and loss (Note 11)	2,175	—	2,175
Amortization	(177,872)	(3,207)	(181,079)
Exchange differences	1,578	—	1,578
Balance at 31 December 2019	**1,671,625**	**29,874**	**1,701,499**
Cost	4,032,889	73,267	4,106,156
Accumulated amortisation	(2,361,264)	(43,393)	(2,404,657)
Impairment losses	—	—	—
Net Book Value at 01 January 2020	**1,671,625**	**29,874**	**1,701,499**
Cost			
Additions and retirements	61,673	—	61,673
Business combinations (Note 6)	52,629	—	52,629
Transfers	(3,629)	—	(3,629)
Exchange differences	(11,094)	—	(11,094)
Accumulated amortization			
Additions	(182,734)	(3,576)	(186,310)
Retirements	71,720	—	71,720
Transfer	4,037	—	4,037
Exchange differences	7,626	—	7,626
Impairments			
Impairment losses recognised in profit and loss (Note 11)	(4,333)	—	(4,333)
Exchange differences	2	—	2
Balance at 31 December 2020	**1,667,522**	**26,298**	**1,693,820**
Cost	4,132,468	73,267	4,205,735
Accumulated amortisation	(2,460,615)	(46,969)	(2,507,584)
Impairment losses	(4,331)	—	(4,331)
Net Book Value at 31 December 2020	**1,667,522**	**26,298**	**1,693,820**

	Balance 1/01/2020	Expenses or interest	Business combinations (Note 6)	Changes	Rent payments	Exchange rate differences	Balance 31/12/2020
Leasing liabilities	2,067,369	94,106	52,629	94,215	(244,785)	(3,795)	2,059,739

	Balance 1/01/2020	Expenses or interest	Business combinations (Note 6)	Changes	Rent payments	Exchange rate differences	Balance 31/12/2020
Leasing liabilities	2,099,210	89,620	4,064	125,006	(252,296)	1,765	2,067,369

The main recognitions for the year are due to the opening of several hotels on a lease basis. The openings of the NHOW Amsterdam Rai in the Netherlands and the NH Collection Palazzo Verona in Italy were noteworthy.

Likewise, the change in the scope includes the acquisition of the Boscolo Hotels Group through the companies Roco Hospitality Group S.R.L., New York Palace, Kft. and Agaga, S.R.O.; hotel leasing operators in Italy, Hungary and the Czech Republic (Nota 6).

The main impacts on the statement on the consolidated comprehensive profit and loss statement related to the application of IFRS 16 are a higher financial expense of 94,106 thousand euros (89,620 thousand euros in 2019), a net gain of the disposal of non-current assets of 624 thousand euros (positive net gain of 1,044 thousand euros in 2019), due mainly to cancellations of contracts that had no cash impact and asset impairment of 4,333 thousand euros (impairment reversal of 2,175 thousand euros in 2019).

The amounts recorded as right-of-use assets correspond to properties where the NH Group is a lessee for its operation as a hotel.

Short-term leases and low-value leases are recognised as an expense in the consolidated comprehensive profit and loss account on a straight line basis. A short-term lease contract is one where the period is less than or equal to 12 months. A “low value contract” is one whose underlying asset assigned in use would have a new value of under 5 thousand euros. The impact recorded on the attached consolidated comprehensive profit and loss statements for the leases totals an income of 31,374 thousand euros (Note 26.4). This income is a result of applying the exemption introduced in IFRS 16 on 28 May 2020, which meant the Group recorded 46,195 thousand euros (Note 2.2).

Furthermore, in the lease agreements, there are no restrictions or imposed clauses and no sales transactions with subsequent leasing were carried out during the financial year.

Future cash output that the lessee is potentially exposed to, and which are not shown in the valuation of leasing liabilities, exclusively relate to payments for variable leasing.

Therefore, future gross payments estimated for the next 5 years total 391 million euros. Nevertheless, these expenses will result in higher income and produce higher profits.

The Group has not granted any options to extend and terminate, or guarantees of residual value. There does exist a lease that has not commenced, for which the Group has undertaken gross lease payments of 437 thousand euros in a period of 2 to 5 years, and 6,833 thousand euros in a period of over 5 years.

9.- GOODWILL

The balance included under this item corresponds to the net goodwill arising from the acquisition of certain companies, and breaks down as follows (thousands of euros):

	2020	2019
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	61,114	75,212
Grupo Royal	24,539	27,607
Boscolo Hotels (Note 6)	11,554	—
Others	3,862	3,758
	101,069	**106,577**

The movements in this heading of the consolidated balance sheet in the financial year were as follows (in thousands of euros):

Company	Goodwill at 01/01/2020	Conversion differences	Business combinations (Note 6)	Impairment (Note 11)	Goodwill at 31/12/2020
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	75,212	—	—	(14,098)	61,114
Grupo Royal	27,607	(3,068)	—	—	24,539
Boscolo Hotels	—	96	11,458	—	11,554
Others	3,758	104	—	—	3,862
Total	**106,577**	**(2,868)**	**11,458**	**(14,098)**	**101,069**

Company	Goodwill at 01/01/2019	Conversion differences	Impairment (Note 11)	Goodwill at 31/12/2020
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	77,933	—	(2,721)	75,212
Grupo Royal	27,607	—	—	27,607
Others	3,892	(134)	—	3,758
Total	**109,432**	**(134)**	**(2,721)**	**106,577**

Details of the cash-generating units to which such goodwill arising on consolidation has been allocated is shown below:

	Thousands of euros	
	2020	2019
Grupo Royal CGUs	24,539	27,607
Group CGUs (Boscolo Hotels)	11,554	—
CGU 6	13,587	15,113
CGU 21	9,929	9,929
CGU 22	685	7,711
CGU 12	6,272	7,042
CGU 5	4,325	6,107
CGU 13	5,624	5,624
CGU 2	5,023	5,023
CGUs with goodwill allocated individually < €4 M	19,531	22,421
	101,069	**106,577**

10.- OTHER INTANGIBLE ASSETS

The breakdown and movements under this heading were as follows (in thousands of euros)::

	Thousands of euros				
	Usufruct Rights	**Concessions, patents and trademarks**	**Software applications**	**Other rights**	**Total**
Cost, allotted cost, revalued cost	33,976	38,322	90,212	17,039	179,549
Accumulated amortisation	(5,483)	(26,392)	(53,920)	—	(85,795)
Impairment losses	—	(7,171)	—	(2,776)	(9,947)
Net Book Value at 01 January 2020	**28,493**	**4,759**	**36,292**	**14,263**	**83,807**
Cost, allotted cost, revalued cost					
Inclusions	2,574	108	11,019	—	13,701
Retirements	(34)	(394)	(131)	—	(559)
Business combinations (Note 6)	50,815	—	372	—	51,187
Transfers	—	(36)	(60)	—	(96)
Exchange differences and IAS 29 impact	(3,116)	(511)	(294)	—	(3,921)
Accumulated amortisation					
Inclusions	(1,515)	(974)	(13,511)	—	(16,000)
Retirements	3	366	64	—	433
Transfers	—	331	(316)	—	15
Exchange differences and IAS 29 impact	537	142	56	—	735
Impairment losses					—
Impairment losses recognised in profit and loss (Note 11)	—	(1,140)	—	(357)	(1,497)
Reversal of impairment losses recognised in profit and loss (Note 11)	—	—	—	337	337
Transfers	—	(5)	—	—	(5)
Balance at 31 December 2020	**77,757**	**2,646**	**33,491**	**14,243**	**128,137**
Cost, allotted cost, revalued cost	84,215	37,489	101,118	17,039	239,861
Accumulated amortisation	(6,458)	(26,527)	(67,627)	—	(100,612)
Impairment losses	—	(8,316)	—	(2,796)	(11,112)
Net Book Value at 31 December 2020	**77,757**	**2,646**	**33,491**	**14,243**	**128,137**

	Thousands of euros				
	Usufruct Rights	**Concessions, patents and trademarks**	**Software applications**	**Other rights**	**Total**
Cost, allotted cost, revalued cost	68,912	37,947	76,572	47,003	230,434
Accumulated amortisation	(30,641)	(22,722)	(43,550)	(12,387)	(109,300)
Impairment losses	—	(7,195)	—	(3,370)	(10,565)
Net Book Value at 1 January 2019	**38,271**	**8,030**	**33,022**	**31,246**	**110,569**
Cost, allotted cost, revalued cost					
Inclusions	737	383	13,715	—	14,835
Retirements	—	—	(70)	(3,504)	(3,574)
Transfers	(35,679)	—	(4)	(26,460)	(62,143)
Exchange differences and IAS 29 impact	6	(8)	(1)	—	(3)
Accumulated amortisation					—
Inclusions	(1,198)	(1,203)	(14,394)	—	(16,795)
Retirements	—	—	61	—	61
Transfers	26,357	(2,512)	3,959	12,387	40,191
Exchange differences and IAS 29 impact	(1)	45	4	—	48
Impairment losses					
Reversal of impairment losses recognised in profit and loss (Note 11)	—	24	—	412	436
Transfers	—	—	—	182	182
Balance at 31 December 2019	**28,493**	**4,759**	**36,292**	**14,263**	**83,807**
Cost, allotted cost, revalued cost	33,976	38,322	90,212	17,039	179,549
Accumulated amortisation	(5,483)	(26,392)	(53,920)	—	(85,795)
Impairment losses	—	(7,171)	—	(2,776)	(9,947)
Net Book Value at 31 December 2019	**28,493**	**4,759**	**36,292**	**14,263**	**83,807**

10.1 Hotel operating rights

The most significant additions in this financial year occurred in London, as a result of opening a new hotel.

The net additions in the year in the column "Business combinations" come from the purchase of Boscolo Hotels (Note 6, Business combinations).

10.2 Software applications

The most significant additions in this financial year were a result of investments made in digitisation and improvement to the customer journey experience, and digitisation and optimisation of operating processes to gain sustainability, mobility and include customer care.

10.3 Other rights

The main movement in 2019 corresponds to the classification of various assets related to lease contracts which, at 1 January 2019, are considered as the higher value of the right-of-use assets in accordance with the application of IFRS 16 (Note 8).

11.- IMPAIRMENT

The Group evaluates the possible existence of a loss of value each year that would oblige it to reduce the carrying amounts of its assets. As a result of the crisis caused by the spread of Covid-19, impairment analysis carried out by the Group in the financial year determined that losses be recognised for impairment losses.

11.1 Key assumptions used to calculate value in use

The value in use of each CGU is determined discounting its future cash flows. These are estimated based on the result for the year and the records of at least five previous years. Given the uncertainty stemming from the current economic environment, macroeconomic information from external information sources has been analysed and with Group Management's business knowledge, different evolution and forecast possibilities have been made on the most likely basis, taking the effect of the pandemic into account.

The evolution of the key assumptions in the analysed hotels has taking the business knowledge of Group Management into account as well as the expected recovery of the sector after the Covid-19 pandemic. In this regard, the assumed projections are based on the Management’s budget for 2021, which assumes a dramatic fall in revenues compared to 2019 due to the negative effect that the Covid-19 pandemic has had on tourism, one of the most affected sectors. It is estimated that the loss of business in 2020 will be recovered in the next three years, beginning in the second half of 2021 once mobility restrictions are eased as vaccination progresses and therefore consumer confidence recovers. The Group's strong positioning in the countries where it operates, the good locations of the portfolio and the high recognition of its brands are key factors in the assumed recovery period up to 2023 and 2024, when it is hoped to reach the figures of the period prior to the pandemic, which was the 2019 financial year.

There are a number of factors that are considered by the Group's Management to make the projections, which are:

- Estimate of external sources specialising in the hotel sector, along with investment banks with reference to the recovery of the hotel sector.

- Estimate of GDP (Gross Domestic Product) growth issued by the International Monetary Fund (IMF) in its report published in October of each year for the next five years.

- Knowledge of the business/asset/local situation of the local Management of each Business Unit to which each CGU belongs.

- Historical results obtained by the CGUs.

- Investments in repositioning the CGUs.

These factors are reflected in the cash flows through the following working hypotheses used to obtain the projections:

- Income from accommodation is projected as the product of percentage occupation, and average rate per room ("ADR" Average Daily Rate: is the ratio of the total income from rooms in a specific period divided by the rooms sold in that specific period) and the total rooms available per year.

- The other revenues are projected based on the average of the relationship between the revenue from accommodation and those revenues.

- Staff costs are calculated based on the average staff costs with a growth in the inflation index (CPI).

- Direct expenses are directly associated with each of the revenues and are projected on the basis of an average ratio, while undistributed expenses are projected based on the average ratio between these and direct expenses.

- For its part, tax is calculated from the tax rates applicable in each country.

The discount rates were calculated by a third party using the Weighted Average Cost of Capital (WACC) methodology: Weighted Average Cost of Capital (WACC), as follows:

$$WACC=Ke*E/(E+D) + Kd*(1-T)*D/(E+D)$$

Where:
Ke: Cost of Equity
Kd: Cost of Financial Debt
E: Own Funds
D: Financial Debt
T: Tax Rate

The Capital Asset Pricing Model (CAPM) is used to estimate the cost of equity (ke).

The main variables used by a third party to calculate the discount rate are as follows:

- Risk-free rate: is obtained from the standard average profitability of state bonds in each country including an adjustment for country risk and an inflation differential where appropriate.

- Market risk premium: defined as 6.5% (6.8% in 2019), based on market reports.

- Beta or systematic risk: Using a sample of listed companies whose businesses are comparable to our business, the sector's risk differential is estimated in relation to the average risk on the global market. In addition, the adjusted average financial structure of the aforementioned sample of companies was considered (63% Own Funds, 37% Debt) to calculate the re-leveraged beta coefficient, as well as the relevant tax rate in each country.

- Debt cost, estimated as an average differential over the Euribor at 12 months over 10 years, plus an adjustment for inflation and country risk in countries with a currency other than the Euro.

Below are the pre-tax discount rates of the major countries::

	Discount rate before taxes:				
	Germany	**Netherlands**	**Italy**	**Spain**	**Colombia**
2020	11,2%	9,6%	12,12%	10,6%	13,6%
2019	8,8%	7,4%	12,7%	9,3%	16,9%

The evolution of the key assumptions in hotels with indications of impairment at 31 December 2020 in the major countries in euros was as follows:

	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	Germany		**Netherlands**		**Italy**		**Spain**		**Colombia**	
Post-tax WACC	7,54%	5,47%	7,79%	6,01%	8,12%	8,21%	8,14%	6,88%	10,57%	12,86%
Growth rate (g)	1,97%	2,13%	1,70%	2,01%	1,35%	1,50%	1,69%	1,77%	2,91%	3,04%
Average ADR (years of projection)	100,8	107,7	59,5	61,5	133,5	136,7	92,5	97,4	62,1	70,0
Average Occupancy Rate (years of projection)	65,0%	74,5%	54,3%	56,6%	65,1%	71,0%	66,2%	75,9%	61,5%	67,5%

The after-tax discount rates used by the Group for these purposes range in Europe from 7.3% to 11.5% (5.5% and 8.2% in 2019) and in Latin America from 10.6% to 16.2% (9.4% and 14.6% in 2019) without taking into account Argentina, whose after-tax discount rate has been calculated taking into account its hyperinflationary economic situation and varies between 44.6% in 2021 and 35.6% in 2025, based on the estimate of inflation. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

Using a post-tax discount rate and post-tax cash flows is consistent with paragraph 51 of IAS 36, which states that "estimated future cash flows will reflect assumptions that are consistent with the manner of determining the discount rate". In addition, the result of the post-tax flows updated at a post-tax discount rate would obtain uniform results with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be uniform.

11.2 Sensitivity analysis

Furthermore, the Group has carried out a sensitivity analysis for each of the CGUs, and for the groups of CGUs where goodwill is allotted. 3

For each scenario, each hypothesis has been considered individually, recording the impact on impairment for each of them. Scenario 1 is a negative one where the discount rate is raised 100 b.p. above the rate used in the test and a growth rate lower by 100 b.p., i.e. with minimum growth, and falls in occupancy and ADR of 1% which would lead to additional impairment to that registered in 2020.

In scenario 2, it is a positive scenario where the discount rate is sensitized 100 bp below the rate used in the test, a growth rate of 100 bp and with occupancy increases of 100 bp and an average ADR of 1%, which would lead to having registered a lower deterioration than that registered in 2020.

A sensitivity analysis of the results of the impairment analysis given variations in the following scenarios, including the impacts that the amendment of each scenario would have without affecting the rest, for the main goodwill, is set out below:

NH Hoteles Deutschland, GmbH y NH Hoteles Austria, GmbH					
	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
Post-tax WACC	7,54% - 7,85%	8,54% - 8,85%	(5,008)	6,54% - 6,85%	3,075
Growth rate (g)	1,97% - 2,00%	0,97% - 1,00%	(3,896)	2,97% - 3,00%	1,571
Average ADR	76.1%	75,1%	(3,971)	77,1%	1,896
Average Occupancy Rate	127.30	126.0	(3,743)	128.6	1,295

Grupo Royal					
	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
Post-tax WACC	10,57% - 16,17%	11,57% - 17,17%	(1,186)	9,57% - 15,17%	—
Growth rate (g)	1,00% - 3,00%	0,00% - 2,00%	—	2,00% - 4,00%	—
Average ADR	61.0%	60.0%	—	62.0%	—
Average Occupancy Rate	62.00	61.4	—	62.6	—

In addition, a sensitivity analysis of the results of the impairment analysis of the most significant CGUs that have associated property, plant and equipment, intangible assets and rights of use is set out below:

Tangible and intangible assets and right of use sensitivity analysis					
	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
Post-tax WACC	7,5% - 36,3%	8,5% - 37,3%	(23,111)	6,5% - 35,3%	15,867
Growth rate (g)	1,0% - 23,4%	0,0% - 22,4%	(21,338)	2,0% - 24,4%	12,098
Average ADR	68.9%	67,9%	(8,644)	69,9%	5,485
Average Occupancy Rate	128,3	127.0	(5,558)	129.6	3,906

11.3 Impairment losses

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the latter is reduced to the recoverable amount by recognising the corresponding reduction through the consolidated comprehensive profit and loss statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the limit of the original value at which such asset was recognised before the loss of value was recognised.

The Group recognised an impairment loss of 76,258 thousand euros (4.889 thousand euros in 2019), as it is summarised below:

- Property, plant and equipment: impairment amounting to 61,250 thousand euros was recognised in 2020 for certain tangible assets; this impairment mainly corresponds to real estate and is a result of the worsening of future expectations of cash flows for different reasons, including the opening of competitors' hotels or the loss of an important customer and the worsening of the outlook due to the Covid-19 situation. (4,289 thousand euros in 2019). On the other hand, there was a reversal of 4,523 thousand euros resulting from the improvement in expectations, recorded under the heading "Gains/

(Net losses) from asset impairment" on the consolidated comprehensive income statement for 2020 (9,288 thousand euros in 2019).

- Right of use: it has been registered an impairment of the Right of use amounting to 4,333 thousand euros (reversal of 2,175 thousand euros 2020) (Note 8).

- Goodwill: it has been registered an impairment amounting to 14,098 of the goodwill of NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH (2,721 thousand euros in 2019). This impairment is derived from the worsening due to openings of competitors and deterioration of the business prospects due to Covid-19 situation.

- Other intangible assets: it has been registered under the heading "Gains/(Net losses) from asset impairment" on the consolidated comprehensive income statement for 2020, impairment losses amounting to 1,497 thousand euros and reversal of impairment amounting to 337 thousand euros (436 thousand euros in 2019).

- Real Estate investments: it has been registered a reversal of impairment of real estate investments amounting to 60 thousand euros.

The breakdown of impairment to tangible assets by country is as follows (in thousands of euros):

	2020	2019
Spain	6,600	5,760
Italy	68,639	21,745
Germany	7,199	1,956
Benelux	10,057	9,306
Latin America	2,526	1,740
Others	—	167
Total impairment	**95,021**	**40,674**

The recoverable amount of the CGUs subject to impairment or reversal (not the entire portfolio of the Group) is as follows:

Million euros	2020
	Recoverable amount
CGU 25	39,80
CGU 26	34
CGU 4	28,5
CGU 27	25,8
CGU 28	21,3
CGU 29	20,8
CGU 30	17,6
CGU 31	17
CGU 32	13
CGU 33	11,3
Top Ten	**229,1**
Spain	3,4
Italy	36,6
Benelux	22
Germany	2,6
LatAm	15,3
Other Countries	3
Other CGUs	**82,9**
	312

12.- INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The associated companies in the year and the amount recognised on the books (in thousands of euros) are listed below:

Company	Activity centre	Share percentage	Relationship nature	Book value 2020	Book value 2019
Mil Novecientos Doce, S.A. de C.V.	Mexico City	25%	Associate	1,900	2,350
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico City	10%	Associate	1,413	1,555
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	27%	Associate	1,100	1,723
Hotelera del Mar, S.A.	Mar de Plata	20%	Associate	702	960
Borokay Beach, S.L.	Madrid	50%	Associate	929	929
Kensington Hotel Value Added I, Ltd	London	30%	Associate	—	—
Sotocaribe, S.L. (Note 16)	Madrid	36%	Associate	35,729	—
Total				**41,773**	**7,517**

The impact recorded on the consolidated comprehensive profit and loss statement for the financial year due to consolidation of these holdings was losses of 7,468 thousand euros (22 thousand euros in 2019), recorded under the heading "Gain/(Loss) from entities valued using the equity method". In addition, these holdings were reduced in 2020 by 2,575 thousand euros due to the effect of the exchange differences (they increased by 714 thousand euros in 2019) and increased by other contributions of 108 thousand euros.

Specifically, a loss of 6,926 thousand euros was recorded due to the integration of the results of Sotocaribe, S.L. previously classified as available for sale (Note 16).

On the other hand, as a result of analysis of the fair value of these holdings, a reversal for impairment was recorded on the investment in Sotocaribe, S.L. for 6,926 thousand euros under the heading "Impairment on financial investments".

The Group's policy on holdings in associated companies consists of ceasing to book losses in these companies if the associated company's consolidated losses attributable to the Group are equivalent to or exceed the cost of its holding in them, provided there are no additional contingencies or guarantees connected with existing losses. The holding in Kensington Hotel Value Added I, Ltd is in this situation.

The balance sheet of these key companies accounted for using the equity method at year-end is as follows (in thousands of euros):

Company	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Net Profit (Loss)
Mil Novecientos Doce, S.A. de C.V.	7,484	—	—	—	7,484	(583)
Consorcio Grupo Hotelero T2, S.A. de C.V.	14,121	—	—	—	14,121	8
Inmobiliaria 3 Poniente, S.A. de C.V.	6,118	48	2,104	—	4,062	(1,464)
Hotelera del Mar, S.A.	694	3,462	480	750	2,926	(116)
Borokay Beach, S.L.	965	1,104	96	1,973	—	(1)
Sotocaribe, S.L.	8,112	245,674	27,881	50,347	175,558	(1,548)

13.- NON-CURRENT FINANCIAL INVESTMENTS

13.1 Financial assets at fair value with change in profit/loss

This heading of the consolidated balance sheet comprised the following equity interests:

	Thousand euros	
	2020	2019
NH Panamá	3,767	3.767
Other investments	408	498
Provisions	(2,190)	(2.190)
Total	**1,985**	**2.075**

In regard to the fair value of financial assets, it does not differ significantly from its cost.

In December 2019, the Group sold its 9.87% shareholding in Varallo Comercial, S.A. and its 13.6% shareholding in Adquisiciones e Inversiones Europeo, S.L. The result of the operation was a consolidated gain of 8,525 thousand euros recorded under "Gains on financial and other operations". At 31 December 2019, the Group had an account receivable under “Other non-trade debtors” for 17,017 thousand euros related to the sale, which was wholly received on 2 January 2020.

13.2 Other financial assets at amortised cost

The breakdown of this heading is as follows:

	Thousand euros	
	2020	2019
Subordinated loans to companies owning hotels operated by the Group through leases	20,793	20.505
Loans to associates (Nota 27)	140	143
Long-term deposits and sureties	12,835	12.703
Others	1,896	1.976
Total	**35,664**	**35.327**

The "Subordinated loans to companies owning hotels operated by the Group through leases" item includes a series of loans granted by the Group to companies which own hotels in countries such as Germany, Austria, the Netherlands, Italy and Spain, and which are operated by the Group under a leasing agreement.

The main features of these agreements are as follows:

- Hotel rentals are not subject to evolution of the inflation rate or to that of any other index.
- The aforementioned subordinated loans accrue interest at a fixed rate of 3% per annum.
- Lease agreements establish a purchase right on properties subject to agreements that, as a general rule, may be executed in the fifth, tenth and fifteenth year from the entry into force of the agreement.

The model used for these lease agreements has been analysed and independent experts consider them to be operating leases. These hotels are covered by the scope of IFRS 16 and, therefore, from the transition date involve recording a right of use asset and a leasing liability.

14.- TRADE RECEIVABLES

This item reflects different accounts receivable from the Group's operations. Its detail is as follows:

	Thousand euros	
	2020	2019
Trade receivables for services provided	38,962	113,596
Provision for bad debts	(9,025)	(7,100)
Total	**29,937**	**106,496**

As a general rule, these receivables do not accrue interest and are due at less than 90 days with no restrictions on how they may be availed.

Movements in the provision for insolvencies during the year were as follows:

	Thousand euros	
	2020	2019
Balance at 1 January	7,100	8,505
Conversion differences	(74)	5
Additions	5,889	3,665
Applications	(3,890)	(5,075)
Balance at 31 December	**9,025**	**7,100**

The analysis of the ageing of financial assets in arrears but not considered impaired in the financial year is as follows:

	Thousand euros	
	2020	2019
Less than 30 days	5,569	24.622
From 31 to 60 days	3,029	6.596
More than 60 days	7,940	10.840
Total	**16,538**	**42.058**

In this regard, the provisions recorded take into account all the expected losses on the balances of trade receivables on the balance sheet.

15.- CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" largely includes the Company's cash position and bank deposits maturing in three months or less. These assets are recognised at their fair value.

The Group's liquidity position at 31 December 2020 is based on the following points:

- The group had cash and cash equivalents amounting to 320,851 thousand euros.
- Available undrawn credit facilities of 25,000 thousand euros (Note 18).

There are no restrictions on the availability of cash, except for 2,057 thousand euros reserved in accordance with a firm commitment with the co-owners of Hoteles Royal (3,192 thousand euros in 2019) for future investments in the hotels.

As at 31 December 2020, there were no restrictions on the receipt of dividends distributed by the companies in which the Parent Company holds a direct or indirect minority shareholding other than the legally established regulations on the distribution of dividends.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42 bis of Royal Decree 1065/2007 of 27 July, approving the General Regulations on tax management, inspection and procedures, and implementing the common rules of the procedures for applying taxes, which establishes certain reporting obligations with regard to overseas assets and rights, among others, it is disclosed that some members of the NH

Hotel Group S.A. Board of Directors have the right, as representatives or authorised officials, to dispose of bank accounts located abroad, which are in the name of Group companies. The reason certain Board members have the right to dispose of overseas bank accounts is that they are directors or board members of said subsidiaries.

NH Hotel Group S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts.

16.- ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5, Non-current assets classified as held for sale and discontinued operations (Note 4.7), the group has classified non-strategic assets under this heading which are undergoing divestment with committed sales plans.

The assets classified as held for sale, after deducting their liabilities, were measured at the lower of their carrying amount and the expected sales price minus costs.

Specifically, at 31 December 2019, the Group had classified the holdings in the companies Sotocaribe, S.L. and Capredo Investments, GmbH as discontinued operations Given the uncertainty associated with these sales processes, the Group has decided to continue consolidating these holdings. Sotocaribe, S.L. was consolidated by the equity method (Note 12), while Capredo Investments, GmbH was consolidated by the global method.

On the other hand, at 30 June 2020, the Group recorded the property company "Onroerend Goed Beheer Maatschappij Maas Best, B.V.", owner of the NH Best hotel in the Netherlands, as available for sale. The sale was concluded on 1 July 2020.

Consolidated balance sheets. Headings of Non-current assets and liabilities classified as held for sale:

A movement by balance sheet heading of the assets and liabilities presented under the corresponding Held for Sale headings is shown below (in thousands of euros):

	1.1.2020	Net Variation	31.12.2020
Property, plant and equipment (Note 7)	10.495	(10.495)	-
Financial assets	37.265	(37.265)	-
Investments accounted for using the equity method (Note 12)	*37.265*	(37.265)	-
Cash	17	(17)	-
Other current assets	34	(34)	-
Non-current assets classified as held for sale	**47.811**	**(47.811)**	**-**
Other non-current liabilities	564	(564)	-
Trade payables	439	(439)	-
Other current liabilities	1.581	(1.581)	-
Liabilities associated with assets classified as held for sale	**2.584**	**(2.584)**	**-**

	1.1.2019	Net Variation	Impairment	31.12.2019
Property, plant and equipment	22.594	(12.099)	-	10.495
Financial assets	33.322	7.424	(3.481)	37.265
Investments accounted for using the equity method	33.322	7.424	*(3.481)*	*37.265*
Cash	9	8	-	17
Other current assets	49	(15)	-	34
Non-current assets classified as held for sale	**55.974**	**(4.682)**	**(3.481)**	**47.811**
Other non-current liabilities	528	36	-	564
Trade payables	363	76	-	439
Other current liabilities	1.565	16	-	1.581
Liabilities associated with assets classified as held for sale	**2.456**	**128**	**-**	**2.584**

As a result of the fair value analysis of the holding in the consolidated company by the equity method, in 2019 an impairment was recorded of 3,481 thousand euros under the "Impairment on financial investments" heading on the consolidated comprehensive profit and loss statement. For the same reason the account receivable with the company was impaired at the end of the financial year (Note 27).

Consolidated comprehensive profit and loss statements

The profit and loss of the discontinued operations shown in the accompanying consolidated comprehensive profit and loss statement is broken down by company as follows (in thousands of euros):

	Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Capredo Investments, GmbH	Total
2020			
Profit (loss) before tax	(66)	-	(66)
Profit (loss) for the year from discontinued operations net of tax	(66)	-	(66)
2019			
Profit (loss) before tax	-	50	50
Profit (loss) for the year from discontinued operations net of tax	-	50	50

Consolidated cash flow statements

The consolidated cash flow statements for the fully consolidated companies in 2019 are detailed below (in thousands of euros):

	Capredo Investments, GmbH
2019	
Total net cash flow from operating activities I	8
Total net cash flow from investment activities II	-
Total net cash flow from financing activities III	-
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	-
Effect of variations in the scope of consolidation (IV)	-
Cash and cash equivalents at the start of the financial year	9
Cash and cash equivalents at end of year	17

17.- EQUITY

17.1 Subscribed share capital

NH Hotel Group, S.A. share capital at 31 December 2020 comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the most recent notifications received by the Parent Company and the communications submitted to the Spanish National Securities Market Commission (CNMV) prior to the end of each reporting period, the main shareholdings at 31 December were as follows:

	31/12/2020	31/12/2019
Minor International Public Company Limited ("MINT")	94,13%	94,13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

17.2 Dividends

As mentioned in note 3, the Group did not distribute dividends in 2020.

On the other hand, the General Shareholders' Meeting on 13 May 2019 approved, among other items, the proposed distribution of dividends. It therefore decided to draw from the profits of the year ended 31 December 2018 and distribute a dividend of 15 euro cents gross per share in the parent company NH Hotel Group, S.A. with the right to receive it, outstanding on the date of the payment; all according to the following schedule:

i. Last date of trading with dividend: 11 June 2019
ii. Ex-dividend date: 12 June 2019
iii. Registration date: 13 June 2019
iv. Payment date: 14 June 2019 for 53 million euros and 3 July for 5.2 million euros.

This dividend was distributed through the companies with shares in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal" (IBERCLEAR), with powers granted for this purpose to the Board of Directors, with express powers of substitution, so that after checking for compliance with obligations under the finance contracts of NH HOTEL GROUP, S.A., the Board will designate an entity to act as paying agent and will perform the other necessary or advisable actions for a satisfactory distribution. The total amount distributed as dividends was 58.771 million euros.

17.3 Reserves of the Parent Company

i) Legal reserve

In accordance with the Consolidated Text of the Corporate Enterprises Act, 10% of the net profit for each year must be allocated to the legal reserve until it reaches at least 20% of share capital. The legal reserve may be used to increase capital provided the remaining balance does not fall below 10% of the increased capital amount. With the exception of the aforementioned purpose, and when it does not exceed 20% of share capital, this reserve may be used only to offset losses, provided no other reserves are available for this purpose.

At 31 December 2020 and 2019, the parent company's legal reserve was not fully constituted.

ii) Share premium

The Consolidated Text of the Corporate Enterprises Act expressly allows the balance of this reserve to be used to increase capital and imposes no restrictions on its availability.

17.4 Treasury shares

At 31 December 2020, the Group had 103,947 own shares, compared to 374,464 own shares at 31 December 2019. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 December 2020 is 103,947 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The negative effect recorded in reserves for operations carried out in the 2020 financial year was 245 thousand euros.

- In the 2020 financial year, the first cycle of the second long-term incentive plan was settled (Note 25). For the settlement of this second cycle a purchase of 110,350 treasury shares was made. The second cycle was settled by the delivery of 401,638 shares. The total impact recorded in equity due to these movements was 1,525 thousand euros.

17.5 Non-controlling interests

The movements under this heading during the financial year are summarised below:

	Thousand euros	
	2020	2019
Opening balance	**57.239**	**52.351**
Application of IAS 29	(1.383)	777
Application of IFRS 16	—	(1.098)
Comprehensive profit (loss) attributable to non-controlling interests	(5.371)	4.192
Dividends paid to non-controlling interests	(1.179)	(2.720)
Other movements	276	3.737
Closing balance	**49,582**	**57.239**

The 2020 "Dividends paid to non-controlling interests" item reflects the dividends paid out to the following companies: NH Marín, S.A. amounting to 1,150 thousand euros and NH Las Palmas, S.A. amounting to 29 thousand euros.

18.- DEBT IN RESPECT OF BOND ISSUES AND BANK BORROWINGS

The balances of the "Bonds and other negotiable securities" and "Debts with credit institutions" items for the financial year were as follows:

	Thousand euros			
	2020		2019	
	Long-term	Short-term	Long-term	Short-term
Guaranteed senior bonds maturing in 2023	356,850	—	356,850	—
Borrowing costs	—	3,308	—	3,308
Arrangement expenses	(4,885)	(1,751)	(6,882)	(1,910)
Effect of renegotiation of debt IFRS 9	(2,903)	(1,414)	(4,316)	(1,257)
Debt instruments and other marketable securities	**349,062**	**143**	**345,652**	**141**
Guaranteed syndicated credit line	236,000	—	—	—
Unsecured loans	320,742	9,177	42,445	806
Subordinated loans	40,000	—	40,000	—
Mortgages	23,854	2,398	25,300	2,544
Credit lines	5,000	12,000	—	—
Arrangement expenses	(2,585)	(1,696)	(1,050)	(786)
Borrowing costs	—	4,048	—	547
Bank borrowings	**623,011**	**25,927**	**106,695**	**3,111**
Total	**972,073**	**26,070**	**452,347**	**3,252**

The effect of debt movement on the Group's cash flows as reflected in the cash flow statement is affected by non-cash movements generated by exchange rate differences as the group has debts in currencies other than the euro.

Secured senior bonds maturing in 2023

On 23 September 2016, the Group placed guaranteed convertible senior bonds for a nominal value of 285,000 thousand euros, maturing in 2023. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the Group issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115,000 thousand euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 31 December 2020 is 356,850 thousand euros ("Depreciation and Amortisation 2018" heading).

Depreciation and Amortisation 2018

As a result of the change of control in the 2018 financial year and as established in the voluntary repurchase and early redemption offer of the senior secured bond issue maturing in 2023 (the "Bonds") due to the change of control, requests were received for the repurchase and redemption of bonds for a nominal amount of 3,150 thousand euros.

The bond repurchase offer was settled on 12 November 2018, the date on which the Group paid an aggregate amount of 3,195 thousand euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3,150 thousand euros
- Unpaid accrued interest: 13.5 thousand euros

- Amount of the repurchase premium: 31.5 thousand euros

On 14 December 2018, the Group carried out the partial voluntary early redemption, for a nominal amount of 40 ,000 thousand euros (representing 10% of its original total amount), of the issue of senior secured bonds maturing in 2023 (the "Bonds"), by means of a linear pro rata reduction of the nominal value of all the bonds in circulation. The Bonds were redeemed early through the payment of approximately 103.760% of the nominal value of the Bonds being redeemed, including:

- Nominal paid in advance: 40,000 thousand euros
- Unpaid accrued interest: 304.2 thousand euros
- Amount of the repurchase premium: 1,200 thousand euros

The Group paid the partial redemptions from available cash.

Secured credit line

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to 250,000 thousand euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing and early payments of the guaranteed senior notes maturing in 2019 which took place in 2017, the maturity date of said financing was extended to 29 September 2021.

On 16 October 2020, the Parent Company and NH Finance, S.A. agreed the extension of the maturity of the finance to 29 March 2023, with a limit of 236,000 euros.

At 31 December 2020, this financing was fully drawn down.

Unsecured loans

- **Syndicated loan with ICO guarantee maturing in 2023**

On 29 April 2020, the Group entered into a syndicated loan for 250,000 thousand euros over 3 years, with no repayments until maturity.

The contract, reached within the legal framework established by the Spanish government to mitigate the economic impact caused by Covid-19, was granted a guarantee by the Spanish state.

At 31 December 2020, this financing was fully drawn down.

- **Other unsecured loans**

In addition to the 250,000 ICO backed syndicated loan, as a result of the crisis caused by Covid-19, throughout 2020 the parent company and its subsidiaries took advantage of government aid in the various countries to take out several loans:

- In May 2020 the parent company signed a bilateral loan for 10,000 thousand euros over 2 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee.

- In July 2020 the parent company signed a bilateral loan for 7,500 thousand euros over 3 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee.

- In October 2020 the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of Covid-19 and, in this way, receiving the State guarantee (SEPE).

- Furthermore, various bilateral loans totalling 6,400 thousand euros were signed between June and September 2020 in different regions (Portugal, Argentina, Chile, Colombia and the USA) to mitigate the economic impact of the pandemic.

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 December 2020 and with a single maturity and repayment in 2037, are included in this item. The interest rate of these loans is the 3-month Euribor plus a spread.

Mortgages

The detail of the mortgage loans and credits is as follows (in thousands of euros):

	Mortgaged asset	Fixed rate	Variable interest	Total	Net book value of the mortgaged asset
Spain	Wilan Ander	3,942	—	3,942	5,160
	Wilan Huel	2,824	—	2,824	5,905
	NH Palacio de la Merced	—	2,917	2,917	15,604
Total Spain		**6,766**	**2,917**	**9,683**	**26,669**
Italy	NH Villa San Mauro	—	448	448	(50)
Chile	NH Plaza de Santiago	16,121	—	16,121	16,597
Total Other		**16,121**	**448**	**16,569**	**16,547**
Total		**22,887**	**3,365**	**26,252**	**43,216**

Credit lines

At 31 December 2020, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2020 amounted to 42,000 thousand euros, of which 17,000 thousand euros had been drawn down at that date.

Obligations required in the senior notes contracts maturing in 2023, the syndicated credit line and the syndicated loan with ICO guarantee maturing in 2023

The senior notes maturing in 2023 and the syndicated credit line require the fulfilment of a series of obligations and limitations of essentially homogeneous content as regards the assumption of additional borrowing or provision of guarantees in favour of third parties, the granting of real guarantees on assets, the sale of assets, investments that are permitted, restricted payments (including the distribution of dividends to shareholders), transactions between related parties, corporate transactions and disclosure obligations. These obligations are detailed in the issue prospectus for the aforementioned notes, as well as in the credit agreement of the syndicated credit line.

The syndicated credit line requires compliance with financial ratios; in particular (i) an interest coverage ratio of > 2.00x, (ii) a net indebtedness ratio of < 5.50x, and (iii) a Loan to Value ("LTV") ratio which, as a result of the

redemption of the 2019 senior secured obligations due in 2017, depends on the level of NH's indebtedness at any given time as indicated below:

- Net debt-to-income ratio › 4.00x: LTV ratio = 70%
- Net debt-to-income ratios ≤ 4.00x: LTV ratio = 85%
- Net debt-to-income ratio ≤ 3.50x: LTV ratio = 100%

The maximum permitted LTV at 31 December 2020 was 70%.

Moreover, the syndicated loan with the ICO guarantee maturing in 2023 requires compliance with financial ratios; in particular, (i) an interest coverage ratio of > 2.00x, (ii) a net indebtedness ratio of < 5.50x

In addition to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for the months of June and December 2020, unanimous approval from the loan institutions was obtained to extend the waiver until June 2021. This waiver until June 2021 also extends to the syndicated loan with the ICO guarantee maturing in 2023.

Package of guaranteed senior notes maturing in 2023 and syndicated credit line

The guaranteed senior notes maturing in 2023 and syndicated credit line (fully drawn down at 31 December 2020) share the following guarantees: (i) pledge of shares: 100% of the share capital of (A) Diegem, , (B) Immo Hotel Brugge NV, (C) Immo Hotel Diegem NV, (D) Immo Hotel Mechelen NV, (E) Immo Hotel Stephanie NV, (F) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (G) NH Italia, S.p.A. (ii) first-tier mortgage guarantee on the following hotels located in the Netherlands: NH Conference Centre Koningshof, owned by Koningshof, B.V.; NH Conference Centre Leeuwenhorst, owned by Leeuwenhorst Congres Center, B.V.; NH Zoetermeer, owned by Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre Sparrenhorst, owned by Sparrenhorst, B.V.; NH Capelle, owned by Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; and NH Naarden, owned by Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V. and the joint guarantee on first demand of the main operating companies in the group wholly owned by the Parent Company.

The net book value of the assets granted as mortgage security against the syndicated credit line of 236,000 thousand euros (drawn down at 31 December 2020) and guaranteed senior notes in the amount of 356,850 thousand euros, maturing in 2023, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net book value of the mortgaged asset
	NH Conference Centre Leeuwenhorst	58,049
	NH Conference Centre Koningshof	41,469
	NH Conference Centre Sparrenhorst	8,200
	NH Zoetermeer	7,350
	NH Naarden	9,700
	NH Capelle	6,164
Total		130,932
Net value of assets assigned as mortgage collateral		**130,932**
Value of guaranteed debt		**592,850**
Fixed interest		**356,850**
Variable interest		**236,000**

Limitation on the distribution of Dividends

The guaranteed senior notes maturing in 2023, the syndicated credit line and the syndicated loan with the ICO guarantee maturing in 2023 described above contain clauses limiting the distribution of dividends.

In the case of the senior notes maturing in 2023, the distribution of dividends is generally permitted provided that (a) the interest coverage ratio is > 2.0x and (b) the sum of restricted payments (including dividends and repayment of subordinated debt) made since 8 November 2013 is less than the sum of, amongst other items, (I) 50% of NH's consolidated net income (even though in the calculation of net income,100% of consolidated net losses must be deducted) from 1 July 2013 to the date of the last quarterly accounts available (this is what is known as the CNI Builder) and, (ii) 100% of the net contributions to NH's capital from 8 November 2013.

Additionally, as an alternative and without having to be in compliance with the previous condition: (i) in the case of bonds maturing in 2023, NH may distribute dividends provided that the leverage ratio (gross debt/ EBITDA) does not exceed 4.5x.

Finally, and also alternatively and without having to be concurrent with the previous ones, the notes maturing in 2023 establish a franchise to be able to make restricted payments (including dividends) without needing to comply with any specific requirement, for a total aggregate amount of 25,000,000 euros as of November 2013.

In the case of the syndicated credit line, and as a result of the extension of its maturity date until March 2023, as agreed in October 2020, distribution of dividends in the 2021 financial year is not permitted.

From 2022 onwards, according to the syndicated credit line and the loan with the ICO guarantee maturing in 2023, the distribution of a percentage of the NH Group's consolidated net profit from the previous year is allowed, provided that there has been no breach of the financing agreement and the Net Financial Debt (through the Dividend payment) / EBITDA Ratio is less than 4.0x.

The maximum percentage of consolidated net profit to distribute will depend on the Net Financial Debt (through the Dividend payment) /EBITDA Ratio according to the following breakdown:

- Net Financial Debt /EBITDA $\leq$ 4.0x: Percentage of consolidated net profit: 75%
- Net Financial Debt /EBITDA $\leq$ 3.5x: Percentage of consolidated net profit: 100%
- Net Financial Debt /EBITDA $\leq$ 3.0x: Percentage of consolidated net profit: unlimited

All of these metrics are calculated using consolidated data.

At 31 December of the 2020 financial year, the requirements for distribution of dividends charged against that financial year were not met.

Detail of current and non-current payables

The detail, by maturity, of the items included under "Non-Current and Current Payables" is as follows (in thousands of euros):

At 31/12/2020 Figures in millions of Euros	Limit	Available	Disposed	Maturity timetable						
				2020	2021	2022	2023	2024	2025	Remain
Mortgages	**26,252**	**—**	**26,252**	**—**	**2,398**	**2,002**	**2,072**	**5,985**	**1,308**	**12,485**
Fixed rate	22,887	—	22,887	—	1,652	1,401	1,462	5,365	679	12,328
Variable interest	3,365	—	3,365	—	746	602	611	620	629	157
Subordinated loans	**40,000**	**—**	**40,000**	**—**	**—**	**—**	**—**	**—**	**—**	**40,000**
Variable interest	40,000	—	40,000	—	—	—	—	—	—	40,000
Guaranteed senior notes mat. in 2023	**356,850**	**—**	**356,850**	**—**	**—**	**—**	**356,850**	**—**	**—**	**—**
Fixed rate	356,850	—	356,850	—	—	—	356,850	—	—	—
Unsecured loans	**329,919**	**—**	**329,919**	**—**	**9,177**	**11,572**	**297,657**	**4,284**	**4,194**	**3,035**
Fixed rate	8,716	—	8,716	—	2,074	4,080	2,562	—	—	—
Variable interest	321,203	—	321,203	—	7,103	7,492	295,095	4,284	4,194	3,035
Secured credit line	**236,000**	**—**	**236,000**	**—**	**—**	**—**	**236,000**	**—**	**—**	**—**
Variable interest	236,000	—	236,000	—	—	—	236,000	—	—	—
Credit lines	**42,000**	**25,000**	**17,000**	**—**	**12,000**	**—**	**3,000**	**—**	**2,000**	**—**
Variable interest	42,000	25,000	17,000	—	12,000	—	3,000	—	2,000	—
Borrowing at 31/12/2020	**1,031,021**	**25,000**	**1,006,021**	**—**	**23,575**	**13,574**	**895,579**	**10,269**	**7,502**	**55,520**
Arrangement expenses	(10,917)	—	(10,917)	—	(3,447)	(4,126)	(2,958)	(30)	(30)	(326)
IFRS 9	(4,317)	—	(4,317)	—	(1,414)	(1,588)	(1,315)	—	—	—
Borrowing costs	7,356	—	7,356	—	7,356	—	—	—	—	—
Adjusted total debt 31/12/2020	**1,023,143**	**25,000**	**998,143**	**—**	**26,070**	**7,860**	**891,306**	**10,239**	**7,472**	**55,194**
Adjusted total debt 31/12/2019	**761,694**	**306,095**	**455,599**	**3,252**	**(1,666)**	**(1,816)**	**401,420**	**1,259**	**826**	**52,324**

The detail for maturities of the debt for operating leases without discounting is as follows (in thousands of euros):

	Total liabilities	**Maturity timetable**							
		2020	2021	2022	2023	2024	2025	2026	Reminder
Gross lease payments 31/12/2020	3,001,150	—	261,034	248,745	237,466	225,081	209,655	196,174	1,622,995
Gross lease payments 31/12/2019	2,998,501	259,006	247,223	227,611	215,623	206,669	196,727	178,939	1,466,703

Net Debt

The detail of net debt at 31 December is as follows (in thousands of euros):

Net Debt	**2020**	**2019**
Cash and cash equivalents	320.851	289.345
Financial debt (Long and short term)	(998.143)	(455.599)
Leasing liabilities (Note 8)	(2.059.739)	(2.067.369)
Net Debt	**(2,737,031)**	**(2.233.623)**
Cash and liquid investments	**320.851**	**289.345**
Gross debt – fixed interest rates	(2,448,192)	(2.436.698)
Gross debt – variable interest rates	(609,690)	(86.270)

19.- TAX NOTE

Tax consolidation scheme

The Group operates in many countries and is therefore subject to the regulations of different tax jurisdictions regarding taxation and corporate income tax.

NH Hotel Group, S.A. and another 18 companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2020 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 on Corporate Income Tax.

The companies belonging to the tax group have signed an agreement to share the tax burden. Hence, the Parent Company settles any credits and debts which arise with subsidiary companies due to the negative and positive tax bases these contribute to the tax group.

The companies that make up the tax consolidation group are the following:

NH Hotel Group, S.A.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.L.	Atardecer Caribeño, S.L.
NH Central Reservation Office, S.L.	Hoteles Hesperia, S.A.
NH Hoteles España, S.A.	Nuevos Espacios Hoteleros, S.A.
NH Hotel Ciutat De Reus, S.A.	Coperama Holding, S.L.
Gran Círculo de Madrid, S.A.	Coperama Spain, S.L.
Iberinterbrokers, S.L.	NH Las Palmas, S.A.
Wilan Ander, S.L.	NH Lagasca, S.A.
Palacio de la Merced, S.A.	Wilan Huel S.L.
NH Cash Link, S.L.U.	

Corporation tax is calculated on the financial or accounting profit or loss resulting from the application of generally accepted accounted standards in each country, and does not necessarily coincide with the tax result, this being construed as the tax base.

In 2020, Spanish companies pay taxes at the general tax rate of 25% irrespective of whether they apply the consolidated or separate taxation schemes. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

The prevailing corporation tax rates applicable to Group companies in the different jurisdictions where the Group has significant operations are as follows:

Country	Nominal tax rate	Country	Nominal tax rate
Argentina	25%	Italy	24%
Austria	25%	Luxembourg	17%
Belgium	25%	Mexico	30%
Brazil	34%	Netherlands	25%
Chile	27%	Poland	19%
Colombia	33%	Portugal	21%
Czech R.	19%	Romania	16%
Dominican R.	27%	South Africa	28%
Ecuador	25%	Spain	25%
France	28%	Switzerland	9%
Germany	30%	United Kingdom	19%
Hungary	9%	Uruguay	25%
Ireland	12.5%	USA	21%

Financial years subject to tax inspection

In accordance with Spanish tax legislation, the years open for review to the Consolidated Tax Group are:

Tax	Unaudited Periods
Corporation	2014 a 2019
VAT	2017 a 2020
IRPF (personal income tax)	2017 a 2020
Non-resident Income Tax	2017 a 2020

In Spain during 2020, the Tax Administration began a partial verification process to reduce the taxable base of revenues from certain intangible assets referred to in article 23 of the Corporation Tax Act, which had commenced in 2019 and includes the years 2016 to 2018. This verification by the Administration validated the application of the incentive in the Spanish tax group, but amended some points of the calculation method. The result was a cash outflow of 619 thousand euros for tax payable and interest. The verification did not give rise to sanctions being imposed. Furthermore, for the Tax group in Spain, the verification involved consumption of activated tax credits of 263 thousand euros. Given that the company had recorded a provision of 1 million euros in the previous tax year, the impact on the corporation tax heading on the profit and loss account was income of 123 thousand euros.

In Germany, an inspection procedure has been opened which is reviewing the amount of negative tax bases still to be offset by the companies. Furthermore, a verification file is open for all the taxes in some of the German companies which covers the 2015 to 2018 financial years.

The inspection process at the subsidiary company in Austria was finalised in the 2020 financial year. The final settlement lead to a cash outflow of 126 thousand euros which will be paid up in 2021. The verification did not involve sanctions being imposed.

The verification process in Portugal was finalised in the 2020 financial year, with the result of tax payable and interest of 165 thousand euros. This amount was paid in 2020 itself.

Finally, an inspection procedure has been opened in Colombia focused on the deductions of certain Corporation Tax expenses.

The Group's Directors do not expect any significant contingencies to arise from the conclusions of the inspections.

Regarding the financial years open to inspection in the rest of the group, contingent liabilities not susceptible to objective quantification may exist, which are not significant in the opinion of the Group's Directors. Moreover, the Company considers that there are no significant uncertain tax positions.

Balances with Public Administrations

The composition of the debit balances with Public Administrations at 31 December is as follows:

	Thousand euros	
	2020	2019
Deferred tax assets		
Tax credits	132,377	83.881
Tax assets due to asset impairment	41,854	31.842
Tax withholdings of workforce	2,778	3.312
Other prepaid taxes	1,584	5.219
IFRS 16 (Note 2.2)	94,420	95.786
	273,013	**220.040**

	Thousand euros	
	2020	2019
Short-term taxes receivable		
Corporation tax	13,026	19.613
Value Added Tax	30,977	7.336
Other tax receivables	6,544	2.012
Total	**50,547**	**28.961**

The movements of the "Deferred tax assets" heading in the year were as follows:

	Thousand euros	
	2020	2019
Opening balance	**220,040**	**138.724**
Asset impairment	10,012	(2.982)
Generation of assets due to tax losses	48,998	1.927
Settlements of assets due to tax losses	(605)	(10.667)
Activation of deductions	103	528
Settlement of deductions	—	(92)
Business combinations (Note 6)	5,610	—
IFRS 16 (Note 2.2 and Note 8)	(1,366)	95.786
Others	(9,779)	(3.184)
Total	**273,013**	**220.040**

All these impacts have had an effect on the consolidated comprehensive profit and loss statements, apart from the change due to the entry into the scope of consolidation arising from the agreement reached with Boscolo Hotels to integrate eight hotels in Italy, Hungary, the Czech Republic and France into the NH Group, and some insignificant impacts that involved change to the consolidated statements of changes in equity.

The increase in deferred tax assets is mainly due to the generation of assets due to tax losses as a result of the losses in 2020 caused by the slump in the sector due to the impact of the worldwide health crisis.

At 31 December 2020, the Group had assets resulting from tax losses and deductions amounting to 132,377 thousand euros (83,881 thousand euros in 2019). Out of the total tax credits, 79,067 thousand euros relates to credits activated in Spain. In accordance with the above, no tax credits were generated due to the loss generated in 2020 in the Spanish tax group.

In the 2020 financial year, the movement of tax credit assets was 48,496 thousand euros. The increase in tax credits was due to the activation of the loss for the financial year, mainly in Germany (20,872 thousand euros), Italy (14,659 thousand euros), Benelux (4,599 thousand euros), Portugal (3,759 thousand euros) and Latin America (3,526 thousand euros). To activate these credits, the relevant plans for tax credit recovery were prepared to support their activation. There was no additional activation of credits for tax losses in the Spanish tax group.

At 31 December 2020, the Group had tax loss carryforwards worth 745,474 thousand euros (594,222 thousand euros at 31 December 2019) and deductions amounting to 29,136 thousand euros (27,695 thousand euros in 2019) that had not been entered in the accompanying consolidated balance sheet because the Directors considered they did not meet accounting standard requirements. These assets are grouped as follows (base amount):

	Thousand euros	
	2020	2019
Finance costs and negative tax bases		
Non-deductible financial expenses in Spain	205,337	191,799
Negative tax bases generated by the Spanish entities before their inclusion in the Spanish consolidation group	102,813	102,813
Spanish consolidation group tax loss carryforwards	134,329	43,351
Negative tax bases generated in Austria	32,148	33,825
Negative tax bases generated in Latin America	11,457	3,068
Negative tax bases generated in Luxembourg	54,394	47,682
Negative tax bases generated in Germany	135,185	123,312
Negative tax bases generated in Hungary	1,437	1,437
Negative tax bases generated in the Netherlands	-	-
Negative tax bases generated in Belgium	10,583	1,621
Negative tax bases USA	41,986	38,684
Negative tax bases France	13,621	6,630
Negative tax bases generated in South Africa	1,147	-
Negative tax bases generated in the Ireland	1,037	-
Total Tax bases	**745,474**	**594,222**
Deductions		
Deductions generated in Spain	29,136	27,695
Total deductions	**29,136**	**27,695**
Total	**774,610**	**621,917**

Finance costs, which are not considered deductible in the Spanish corporate income tax when exceeding 30% of the operating revenue of the tax group calculated in accordance with Article 16 of Law 27/2014 of 27 December, on Corporate Income Tax, amount to 205,337 thousand euros in 2020 (191,799 thousand euros in 2019). There is no deadline for offsetting non-deductible finance costs.

The change to the credits not recorded in the 2020 financial year is mainly due to the negative tax base generated in Spanish tax group's loss in the year (86,153 thousand euros) which was not activated.

The composition of the creditor balances with Public Administrations at 31 December is as follows:

	Thousand euros	
	2020	2019
Deferred tax liabilities		
Revaluation of assets and other valuation differences	171.519	180.082
Total	**171.519**	**180.082**

	Thousand euros	
	2020	2019
Short-term taxes payable		
Corporation tax	3.517	10.904
Value Added Tax	441	1.886
Personal Income Tax	3.813	7.688
Tax on Income from Capital	1.025	1.308
Social Security	3.756	8.109
Others	10.037	10.980
Total	**22.589**	**40.875**

The movements in deferred tax liabilities during the year were as follows:

	Thousand euros	
	2020	2019
Opening balance	**180,082**	**177,478**
IAS 29 Hyperinflationary economies	(651)	(1,177)
Business combinations (Note 6)	11,458	—
Others	(19,370)	3,781
Closing balance	**171,519**	**180,082**

The reduction in deferred tax liabilities is mainly due to the allotment of impairment to revalued assets in the moment of the acquisition. In addition, liabilities have increased by 11,458 thousand euros as a result of the entry of eight hotels in Italy, Hungary, the Czech Republic and France into the scope of consolidation after the agreement reached with Boscolo Hotels (Note 6).

The detail, by country and item, of these deferred taxes is as follows:

	Thousand euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	79.067	33.245	112.312	25.509
Benelux	7.343	27.363	34.706	18.253
Italy	14.659	26.374	41.033	85.353
Germany	22.729	42.959	65.688	2.904
Others	8.579	10.695	19.274	39.500
TOTAL	**132.377**	**140.636**	**273.013**	**171.519**

Reconciliation of the accounting result to the tax result

The reconciliation between the consolidated comprehensive profit or loss statements, the corporation tax base, current and deferred tax for the year, is as follows:

	2020								2019		
	Thousand euros								Thousand euros		
	Spain	Benelux	Italy	Germany	USA	Latam (1)	Rest of Europe and others	TOTAL	Spanish Companies	Rest of companies	TOTAL
Consolidated comprehensive profit and loss statements before taxes	(120,933)	(79,850)	(119,095)	(105,021)	(6,492)	(28,473)	(55,692)	(515,555)	38,137	93,332	131,469
Adjustments to consolidated comprehensive profit and loss:	—	—	—	—	—	—	—	—	—	—	—
Accounting consolidation adjustments	—	—	—	—	—	—	—	—	—	2,721	2,721
Due to permanent differences	121,151	35,450	57,510	99,854	6,361	26,235	57,711	404,271	(36,050)	46,332	10,282
Due to temporary differences	(225)	3,228	61,617	6,527	161	3,675	(2,220)	72,764	(501)	(4,807)	(5,308)
Tax base (Taxable profit or loss)	(7)	(41,173)	33	1,360	30	1,438	(201)	(38,520)	1,586	137,578	139,163
Current taxes to be refunded / (to pay)	7,708	(2,170)	237	(505)	6	3,835	398	9,509	8,126	582	8,708
Total current tax income / (expense)	2	10,292	(8)	(408)	(6)	(516)	(2)	9,353	(396)	(35,079)	(35,476)
Total deferred tax income / (expense)	591	7,081	28,963	22,951	34	3,753	2,940	66,312	(7,163)	6,006	(1,157)
Total other income / (expense)	(357)	(279)	160	(172)	30	184	(78)	(511)	763	(2,698)	(1,935)
Total Corporation Tax income / (expense)	236	17,094	29,115	22,371	58	3,421	2,860	75,154	(6,796)	(31,772)	(38,568)

(1) The Latin America business area includes the profits and losses obtained by the Group in Argentina, Mexico, Uruguay, Colombia, Chile, Ecuador and Brazil.

Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2020, the Tax Group held the following tax credits carryforward (thousand euros):

Year Origin	Deduction pending application	Amount
2006 to 2011	Deduction to encourage certain activities	26.717
2014 - 2020	IT Deduction	2.089
2019 and 2020	Investment deduction in the Canary Islands	631
2013 to 2014	Other	884
		30.231

20.- OTHER NON-CURRENT LIABILITIES

The breakdown of the "Other non-current liabilities" item in the accompanying consolidated balance sheets is as follows:

	Thousand euros	
	2020	2019
At amortised cost:		
Capital subsidies	2,151	1.911
Acquisition of Capredo Investment GmbH	3,150	3.150
Other liabilities	5,300	2.576
	10,601	**7.637**

21.- PROVISIONS FOR CONTINGENCIES AND CHARGES

The breakdown of "Provisions for risks and charges" for the financial year, together with the main movements recognised in those years were as follows:

	Thousand euros				
	Balance at 01/01/2020	Additions	Applications/ Reversals	Business combinations (Note 6)	Balance at 31/12/2020
Provisions for contingencies and extraordinary costs:					
Provisions for pensions and similar obligations	28,919	1,014	(709)	—	29,224
Other claims	19,322	1,623	(2,914)	—	18,031
	48,241	**2,637**	**(3,623)**	**—**	**47,255**
Provisions for contingencies and current expenses:					
Other Provisions	5,021	1,395	(4,849)	4,710	6,277
	5,021	**1,395**	**(4,849)**	**4,710**	**6,277**
Total	**53,262**	**4,032**	**(8,472)**	**4,710**	**53,532**

	Thousand euros				
	Balance at 01/01/2019	Additions	Applications/ Reversals	Business combinations (Note 6)	Balance at 31/12/2019
Provisions for contingencies and extraordinary costs:					
Onerous contracts (Note 2)	5.313	—	—	(5.313)	—
Provisions for pensions and similar obligations	16.740	13.589	(1.410)	—	28.919
Other claims	29.125	2.921	(16.450)	3.726	19.322
	51.178	**16.510**	**(17.860)**	**(1.587)**	**48.241**
Provisions for contingencies and current expenses:					
Onerous contracts (Note 2)	1.654	—	—	(1.654)	—
Other Provisions	1.059	4.694	(629)	(103)	5.021
	2.713	**4.694**	**(629)**	**(1.757)**	**5.021**
Total	**53.891**	**21.204**	**(18.489)**	**(3.344)**	**53.262**

At 1 January 2019, due to the application of IFRS 16, the provision for onerous contracts is registered as the lower value of the right of use (Note 2).

Provision for pensions and similar obligations

The "Provisions for pensions and similar obligations" account mainly includes the pension fund of a certain number of employees of the Netherlands business unit, and the T.F.R. "Trattamento di fine rapporto" in Italy, an amount paid to all workers in Italy at the moment they leave the company for any reason. This is another remuneration element, whose payment is deferred and annually allocated in proportion to fixed and variable remuneration both in kind and in cash, which is valued on a regular basis. The annual amount to be reserved is equivalent to the remuneration amount divided by 13.5. The annual cumulative fund is reviewed at a fixed interest rate of 1.5% plus 75% of the increase in the consumer price index (CPI).

This section also includes various retirement, performance related and/or long-stay awards considered in the Collective Bargaining Agreements that are applicable in Spain.

In the 2019 financial year, the allocations column included the change in accounting criteria of 12,191 thousand euros, resulting in a net impact of taxes on equity of 9,692 thousand euros. (Note 2.4).

At the end of 2020, the liabilities entered against this item were of 29,224 thousand euros (28,919 thousand euros at 31 December 2019).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2020		2019	
	Netherlands	Italy	Netherlands	Italy
Discount rates	0,60%	0,0%-0,0736%	1,20%	0,20%-1,46%
Expected annual rate of salary rise	0,50%	1,90%	0,50%	1,9%
Expected return from assets allocated to the plan	0,23%	1,6%	0,23%	2,02%

Other claims

The "Other claims" item includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created on the basis of the action brought in the proceedings claiming breach of contract in a property development, as well as other claims received in relation to the termination of certain leases where certain amounts are claimed. No decision on these claims is expected in the short term (Note 24).

22.- TRADE AND OTHER PAYABLES

The breakdown of this item in the consolidated balance sheet at 31 December is as follows (thousands of euros):

	Thousand euros	
	2020	2019
Trade and other payables	164,564	215.755
Advance payments from customers	23,929	41.744
	188,493	**257.499**

The heading "Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group.

The "Advance payments from customers" item mainly includes customer deposits arising from the Group's hotel businesses.

INFORMATION ON DEFERRED PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO REPORT" OF ACT 11/2013 OF 26 JULY

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2020	2019
	Days	
Average period for payment to suppliers	**82**	**63**
Ratio of paid transactions	82	63
Ratio of transactions pending payment	96	53
	Amount (thousands of euros)	
Total payments made	194,915	308.812
Total payments pending	10,226	13.732

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the consolidated balance sheet.

The average period for payment to suppliers has been calculated, as stated in the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid in each year weighted by the amount of each transaction.

- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

23.- OTHER CURRENT LIABILITIES

At 31 December, this item is broken down as follows:

	Thousand euros	
	2020	2019
Outstanding remuneration	19,175	40.274
Other creditors	5,920	8.761
	25,095	**49.035**

24.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS

At 31 December 2020, NH had a total of 34,052 thousand euros in economic or financial bank guarantees issued by various banks (30,371 thousand euros in 2019).

The increase in the balance of bank guarantees at 31 December 2020, compared to the balance at 31 December 2019, is mainly due to the issue of a new bond for 2,000 thousand euros and the reduction in the amount on renewal of some of them.

Of the 34,052 thousand euros in bank guarantees, 29,848 thousand euros guarantee leasing contract obligations and others related to the Group's usual operations in various countries, and 4,203 thousand euros issued in relation to public bodies.

At 31 December 2020, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The capital insured sufficiently covers the assets and risks mentioned above.

Commitments to third parties

- On 10 March 2006, the partnership agreement of the company which owns a hotel in the United Kingdom was signed, of which a group company is a shareholder, under which, if the company were to receive a purchase offer for 100% of its shares at market price, the Group company could be required to transfer the shares. However, the group company will have preferential acquisition rights over the shares. At the close of the financial year, the group company had granted its shareholder an option to purchase shares representing up to 6.96% of the company capital of the company owning the hotel.

- Within the framework of new development projects in the normal course of business, in which Grupo NH subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations, often issue promissory notes in payment of said obligations and agrees penalty clauses in case of breach of contract.

- Likewise, within the framework of the group's financing, personal and real guarantees have been granted to fulfil the obligations guaranteed under the financing agreements (Note 18).

Claims in process

The Group's main contingent assets and liabilities on the date these consolidated financial statements were drawn up, are set out below:

- The owner of four properties in the Netherlands has claimed in court the payment of compensation to a Dutch subsidiary because there was allegedly a change of the control situation in the year 2014, which supposedly entitles him to claim a fine, according to the lease. The claim filed by the owner, both in the first instance and on appeal, was dismissed in full. The same owner has instituted fresh court proceedings alleging a change of control situation in 2018, as the claim was dismissed in the first instance and the appeal is currently pending resolution.

- A claim has been filed against a Grupo NH company in Germany due to the termination of two lease agreements and claiming specific amounts, including damages.

- A claim has been filed against an NH Group company in Italy due to the early termination of a lease agreement; the ruling was favourable to the company's interests in the appeal, although it is in judicial review currently in progress.

- An NH Group company in Italy has been sued with damages under a service provision contract requested.

- An NH Group company in South Africa has been sued for damages as a result of the termination of a lease agreement.

- A claim has been filed against two of the Group's companies seeking payment fees to rights management from 1 January 2008 to 31 May 2013, in addition to an unspecified amount corresponding to the period thereafter until a judgement is issued, plus interest and costs. The procedure from both first instance and appeal has been resolved by setting an amount lower than the one claimed, however, a judicial review has been filed, which is pending a hearing.

- A claim has been filed against an NT Group company claiming payment in relation to the payment of a management entity’s fees for the years 2018, 2019, et seq, which is currently being processed.

- A claim has been filed against an NH Group company for damages within the framework of a corporate relationship.

– On the occasion of the agreements reached in 2014 for the sale of the shares held by NH Hotel Group, S.A in the company Sotogrande, S.A., Grupo NH agreed to subrogate to the position of Sotogrande, S.A. for certain claims assuming all rights and obligations relating thereto, and are summarised as follows:

    • Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability.

    • Respondent in the process of claiming amounts from a real estate development due to construction defects.

    • The company may be subject to a claim for amounts derived from an eventual administrative claim.

– A former shareholder of the NH Group has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.

– As part of the contractual liability assumed by the NH Group in the 2013 hotel purchase contract, the buyers informed the Group of the requirement to pay the Dutch Capital Transfer Tax. At 31 December 2020, the total amount of this tax, plus the corresponding default interest, was 12,300 thousand euros. The purchasers submitted an appeal to the Dutch Treasury that was rejected and an appeal has been filed with the Courts that is still pending resolution. The NH Group and the purchasers reached an agreement whereby NH assumed control of the judicial procedure.

The Directors of the Parent Company consider that the hypothetical loss incurred by the Group as a result of such actions would not significantly affect the equity of the Group.

25.- LONG-TERM INCENTIVE PLAN

On 25 June 2013, the Company's General Shareholders Meeting approved a long-term share-based incentive plan (“the plan”) for the NH Hotel Group SA's executives and employees, as follows:

The plan consisted of the grant of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of the fixed salary, according to their level of responsibility. The number of shares to be granted was subject to the degree of fulfilment of the following objectives:

– TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, SA shares with the following indices:
    ◦ IBEX Medium Cap
    ◦ Dow Jones Euro STOXX Travel & Leisure
– EBITDA, discounting the amount corresponding to rentals compared annually with the forecasts of the Company's strategic plan.

If the minimum degree of fulfilment established in the aforementioned objectives were not achieved, the plan's beneficiaries will not be entitled to shares under said plan.

The plan was aimed at a maximum of 100 beneficiaries. The Board of Directors, at the proposal of the CEO, may include new members in the plan.

The plan had a total duration of five years, divided into three three-year cycles.

In 2019, the third and final cycle of the first plan was settled with the delivery of 226,067 net shares at a fair value per unit of 4.55 euros. The settlement of the plan was made net of taxes.

On the other hand, the 2017 Shareholders' Meeting approved the launch of a new Long-Term Incentive Plan. This plan has a duration of five years, divided into three three-year cycles. The current cycles at 31 December 2020 are:

	Assigned at the start of each cycle (Thousands)	No. of live shares at 31.12.2020 (Thousands)	Value of the allocation (Euros)
The second cycle began on 01/01/2018 (delivery in 2021 (in force))	517,96	421,99	5,96
The third cycle began on 01/01/2019 (delivery in 2022 (in force))	879,25	760,76	3,96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 31 December 2020 are beneficiaries who left between the launch and 31 December 2020.

This second plan has a very similar structure to the first; delivery of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of fixed salary, according to their level of responsibility.

The number of shares to be delivered shall be subject to the degree of fulfilment of the following four objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, S.A. shares with the STOXX® Europe 600 Travel & Leisure share index.
- Revaluation of the Share.
- Recurring Net Profit.
- Recurring EBITDA.

The beneficiaries must remain in the Group at the end of each cycle, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

The Board of Directors will be authorised to decide, before the start of each of the cycles, the effective implementation thereof in accordance with the Group's financial position at the time. At the date of publication of this report, all the cycles had been approved by the Board of Directors.

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200,000 euros.

In addition, the first cycle of the new incentive plan, which began on 1 January 2017, was wholly settled in the first half of 2020 with the delivery of 401,638 net shares at a fair value per unit of 4.68 euros. The settlement of this plan was made net of taxes.

During 2020, no impact has been recorded in the consolidated profit and loss statement as it is not expected to meet the objectives described above (the impact recorded in 2019 was 3,569 thousand euros).

26.- INCOME AND EXPENSE

26.1 Income

The breakdown of these headings in the consolidated comprehensive income statements is as follows:

	Thousand euros	
	2020	2019
Hotel occupancy	348,180	1.222.859
Catering	111,175	340.562
Meeting rooms and others	47,088	91.772
Rentals and other services	29,707	52.885
Revenues	**536,150**	**1.708.078**
Operating subsidies	36	36
Other operating income	7,816	9.316
Other operating income	**7,852**	**9.352**
Net gain (loss) on disposal of assets	**(475)**	**(709)**

The fall in the net turnover was due to the Covid-19 pandemic. From the middle of March demand in the hotel sector decreased drastically due to lockdown and travel restrictions.

“Rentals and Other Services” includes the income from fees invoiced to hotels operated on a management basis and the services provided by the NH Group to third parties.

The breakdown of net turnover by geographical markets is as follows:

	Thousand euros	
	2020	2019
Spain	133,743	440.162
Germany	117,343	371.054
Benelux	114,695	305.712
Italy	83,111	323.639
Rest of Europe	57,330	121.275
Latin America	29,928	146.236
	536,150	**1.708.078**

26.2 Financial income

The breakdown of the amount of financial income is:

	Thousand euros	
	2020	2019
Dividend income	-	1.635
Interest income	951	1.276
Other financial income	765	1.293
	1.716	**4.204**

Interest income corresponds to loans valued at amortised cost.

26.3 Personnel expenses

This item in the consolidated comprehensive profit and loss statement is broken down as follows:

	Thousand euros	
	2020	2019
Wages, salaries and similar	188,430	339.754
Social security contributions	54,986	81.500
Indemnifications	7,521	3.119
Contributions to pension plans and similar	10,342	11.134
Other social expenses	6,895	13.255
	268,174	**448.762**

The decrease in personnel costs can be explained by the contingency plans that the Group put in place to alleviate the fall in business due to Covid-19. Mainly these consisted of temporary layoffs, due to force majeure or productive reasons, and voluntary reductions in working days and wages.

The saving recorded in 2020, as a result of the subsidies or allowances received from Governments to offset the restrictive measures taken, was approximately 36,932 thousand euros in wages and salaries and 15,795 thousand euros in social security contributions.

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in the year broken down by professional category was as follows:

	2020	2019
Group's general management	8	8
Managers and heads of department	1,483	1.465
Technical staff	988	972
Sales representatives	816	803
Administrative staff	180	182
Rest of workforce	7,637	8.033
	11,112	**11.463**

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days.

The breakdown of the personnel at 31 December, by sex and professional category, is as follows:

	31/12/2020		31/12/2019	
	Males	Females	Males	Females
Group's general management	7	1	6	2
Managers and heads of department	801	609	866	633
Technical staff	482	466	524	490
Sales representatives	202	526	256	601
Administrative staff	62	104	68	118
Rest of workforce	3,374	3,498	4.084	4.175
	4,928	**5,204**	**5.804**	**6.019**

As mentioned above, throughout 2020, the Group has had to act to alleviate the serious consequences of Covid-19 on its business and results. With this objective, the Company, always with the maxim of protecting long-term employment as much as possible, has launched a contingency plan to temporarily reduce its workforce and, consequently, adjust its personnel costs to the reality of the business , through contract suspensions, reductions in working hours, request for extraordinary subsidies available in some countries, cancellations of vacancies and / or other measures taken according to the labour legislation in each country.

Almost all of the workforce (86%), in all professional categories, has been affected by some of these measures, affecting men and women equally.

The average number of people with disabilities equivalent to or greater than 33%, directly employed by the Parent Company and fully consolidated companies in Spain in the year, broken down by professional category, is as follows:

	2020	2019
Managers and heads of department	2	3
Technical staff	9	11
Sales representatives	2	5
Administrative staff	10	5
Rest of workforce	66	90
	89	**114**

The average age of the Group's workforce was approximately 39.7 and average seniority in the Group was 9 years (39 years and 9 years respectively in 2019).

26.4 Other operating expenses

The composition of this consolidated comprehensive income heading is as follows:

	Thousand euros	
	2020	2019
Leasing (Note 8)	(31,374)	83.647
Outsourcing of services	42,234	125.194
Commissions and bonuses for customers	27,260	92.287
Supplies	42,856	60.607
Maintenance and cleaning	28,111	42.277
Laundry and related costs	14,840	39.110
Costs associated with information technologies	33,085	41.001
Marketing and merchandising	9,692	24.574
Taxes, insurance and levies	24,439	27.737
Advisory services	11,667	15.547
Other external services	46,671	72.194
	249,481	**624.175**

The Group experienced a decrease in the level of activity of its hotel business in 2020 as a result of Covid-19. At the start of the pandemic, the Group implemented a contingency plan that includes a severe reduction in fixed and variable costs directly related to the activity level.

The high degree of uncertainty required the fixed cost structure to be minimised and operations adapted. The enormous effort in efficiency and cost control has practically covered operating costs before rentals.

The "Taxes, insurance and levies" heading includes property tax allowances or rebates received from some City Councils to offset the temporary closure of some hotels. The total amount was approximately 1,684 thousand euros.

On the other hand, during 2020, the Group managed to reach agreements with the vast majority of landlords, which has made it possible to obtain rent concessions to significantly mitigate the impact of the pandemic. In this sense, as a result of applying the IFRS 16 amendment published on 28 May 2020, the Group recorded savings of 46,195 thousand euros relating to rent concessions achieved in the aforementioned negotiations carried out as a result of Covid-19 (Note 2.2). In addition, as a result of the drop in business and renegotiations and write-offs, expenses for variable rents, as well as those which are not subject to IFRS 16, were reduced.

During 2020 and 2019, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousand euros	
	2020	2019
Auditing services	644	545
Other verification services	214	138
Total auditing and related services	858	683
Tax consulting services	—	—
Other services	243	23
Total other services	243	23
Total professional services	**1,101**	**706**

Additionally, entities associated with the international network of the consolidated annual accounts auditor have invoiced the Group for the following services:

	Thousand euros	
	2020	2019
Auditing services	1,079	1.031
Other verification services	215	152
Total auditing and related services	1,294	1.183
Tax consulting services	289	274
Other services	53	1
Total other services	342	275
Total professional services	**1,636**	**1.458**

During 2020, other auditing firms apart from the auditor of the consolidated annual accounts or entities associated with this company by control, shared ownership or management, have provided account auditing services to the companies making up the Group, for fees totalling 46 thousand euros (50 thousand euros in 2019). The fees accrued in 2020 by these firms for tax advice services were 366 thousand euros (244 thousand euros in 2019) and for other services, 54 thousand euros (80 thousand euros in 2019).

26.5 Financial costs

The breakdown of this chapter in the consolidated comprehensive income statement is as follows:

	Thousand euros	
	2020	2019
Expenses for interest	28,021	19.933
Financial expenses for means of payment	6,459	19.304
Financial effect relating to restatement of provisions and other financial liabilities	1,271	2.721
Amortisation of debt arrangement expenses	5,688	3.793
Other financial expenses	—	101
Other Financial expenses	**41,439**	**45.852**
Interest on leases (Note 8)	**94,106**	**89.620**
Financial Expenses	**94,106**	**135.472**

The expenses for interest correspond to debts valued at amortised cost.

26.6 Results from exposure to hyperinflation

This heading includes the net effect recognised in the consolidated comprehensive profit and loss statement arising from the application of accounting standards to the financial statements of Argentine subsidiaries from the date of first application since 2018 (Note 2.6.4).

27.- RELATED PARTY TRANSACTIONS

In addition to its subsidiaries, associates and joint ventures, the Group's "related parties" are considered to be the "key management personnel" of the Parent Company (Board Members and Directors, along with their immediate relatives), as well as organisations over which key management personnel may exert significant influence or control.

Transactions carried out by the Group with its related parties during the year are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other parties that were related during the year even though there are no longer a shareholder at year-end. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

	Thousand euros		
	2020		
Income and Expenses	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	832	—	832
Other expenses	1,528	—	1,528
	2,360	**—**	**2,360**
Income:			
Financial income	—	346	346
Management or cooperation agreements	666	516	1,182
Other income	578	22	600
	1,244	**884**	**2,128**

	Thousand euros		
	2019		
Income and Expenses	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	590	—	590
Other expenses	231	—	231
	821	**—**	**821**
Income:			
Financial income	—	324	324
Management or cooperation agreements	2,749	1,651	4,400
	2,749	**1,975**	**4,724**

The heading "Management or cooperation agreements" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to Grupo NH in the financial year by virtue of the hotel management agreement signed with Grupo Minor.

Related party bal*ances*

	Thousand euros	
	31/12/2020	31/12/2019
Accounts receivable from related entities	955	2,493
Accounts receivable from associated companies (long term) (Note 13)	140	143
Accounts receivable from associated companies (short term)	841	1,180
Loans to associates	9,617	9,503
Provision for impairment	(9,617)	(9,503)
Total Assets	**1,936**	**3,816**

	Thousand euros	
	31/12/2020	31/12/2019
Accounts payable from related entities	(613)	(1.050)
Accounts payable from associated companies	—	(156)
Loans to associates	—	(5.588)
Total Liabilities	**(613)**	**(6.794)**

At 31 December 2020, the NH Hotel Group has a net balance pending collection of 342 thousand euros with the Minor Group (955 thousand euros recorded as an account receivable and 613 thousand euros as accounts payable).

In the 2019 financial year, as a result of the analysis of the fair value of the company's holding recorded as an asset available for sale, a provision for impairment was recorded of the loans receivable from associated companies of 9,503 thousand euros and an expense of 5,588 thousand euros for the contribution undertaken to be made to the company at the close of the 2019 financial year, to carry out cancellation of the bank loan held by it and in which NH Hotel Group acted as guarantor for 35.5%. Both impacts were recorded as "Impairment on financial investments" on the consolidated comprehensive profit and loss statement.

28.- INFORMATION BY SEGMENTS

28.1 Information on main segments

The Group divides its activity into the real estate (Note 12) and hotel segments. Additionally, within the hotel segment, sub-segments are identified by geographic area, which are included in the breakdowns reflected in the consolidated financial statements for information purposes.

The factors taken into account when defining the segments were as follows:

a) They carry on business activities from which they can earn income from ordinary activities and incur expenses (including income from ordinary activities and expenses for transactions with other components of the Group).

b) They obtain operating results that are regularly reviewed by the entity's highest decision-making authority to decide on the resources to be allocated to the segment and to evaluate its performance.

c) They have different financial information.

The Management Committee is the body responsible for making decisions on the Group's segments. Accordingly, it analyses the Group's results, distinguishing between the aforementioned sub-segments.

The breakdown of the segment information required by IFRS 8 is as follows:

2020

	Thousand euros						
	Hotel						
	31/12/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	**109,746**	23,813	29,757	29,088	20,117	6,701	270
Depreciation	**(302,473)**	(95,060)	(46,717)	(53,111)	(68,092)	(10,593)	(28,900)
Net profit (loss) for asset deterioration	**(76,258)**	(3,957)	(2,833)	(47,370)	(13,714)	(972)	(7,412)
BALANCE SHEET							
ASSETS							
Assets by segments	**4,295,735**	851,821	1,126,947	747,933	802,040	442,191	324,803
Shareholdings in associated companies	**6,044**	930	-	-	-	5,114	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	**4,301,779**	**852,751**	**1,126,947**	**747,933**	**802,040**	**447,305**	**324,803**
LIABILITIES							
Liabilities and equity by segments	**4,301,779**	852,751	1,126,947	747,933	802,040	447,305	324,803
Total Consolidated Liabilities and Equity	**4,301,779**	**852,751**	**1,126,947**	**747,933**	**802,040**	**447,305**	**324,803**

	Thousand euros						
	Real Estate						
	31/12/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Net profit (loss) for asset deterioration	-	-	-	-	-	-	-
BALANCE SHEET							
ASSETS							
Assets by segments	**(7,591)**	-	-	-	-	-	(7,591)
Shareholdings in associated companies	**35,729**	35,729	-	-	-	-	-
Non current assets classified as held for sale							
Total consolidated assets	**28,138**	**35,729**	-	-	-	-	**(7,591)**
LIABILITIES							
Liabilities and equity by segments	**28,138**	35,729	-	-	-	-	(7,591)
Total Consolidated Liabilities and Equity	**28,138**	**35,729**	-	-	-	-	**(7,591)**

	Thousand euros						
	Total						
	31/12/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	**109,746**	23,813	29,757	29,088	20,117	6,701	270
Depreciation	**(302,473)**	(95,060)	(46,717)	(53,111)	(68,092)	(10,593)	(28,900)
Net profit (loss) for asset deterioration	**(76,258)**	(3,957)	(2,833)	(47,370)	(13,714)	(972)	(7,412)
BALANCE SHEET							
ASSETS							
Assets by segments	**4,288,144**	851,821	1,126,947	747,933	802,040	442,191	317,212
Shareholdings in associated companies	**41,773**	36,658	-	-	-	5,115	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	**4,329,917**	**888,479**	**1,126,947**	**747,933**	**802,040**	**447,306**	**317,212**
LIABILITIES							
Liabilities and equity by segments	**4,329,917**	888,479	1,126,947	747,933	802,040	447,306	317,212
Total Consolidated Liabilities and Equity	**4,329,917**	**888,479**	**1,126,947**	**747,933**	**802,040**	**447,306**	**317,212**

2019

	Thousand euros						
	Hotel						
	31/12/2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	**186,186**	47,492	36,153	58,740	29,393	13,827	576
Depreciation	**(297,080)**	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)
Net profit (loss) for asset deterioration	**4,889**	4,161	71	5,518	(3,996)	(1,742)	877
BALANCE SHEET							
ASSETS							
Assets by segments	**4,336,568**	838,471	1,129,590	739,488	817,721	504,791	256,507
Shareholdings in associated companies	**7,517**	929	-	-	-	6,588	-
Non-current assets classified as held for sale	-		-	-	-	-	-
Total consolidated assets	**4,344,085**	**889,400**	**1,129,590**	**739,488**	**817,721**	**511,379**	**256,507**
LIABILITIES							
Liabilities and equity by segments	**4,344,085**	889,400	1,129,590	739,488	817,721	511,379	256,507
Total Consolidated Liabilities and Equity	**4,344,085**	**889,400**	**1,129,590**	**739,488**	**817,721**	**511,379**	**256,507**

	Thousand euros						
	Real Estate						
	31/12/2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Net profit (loss) for asset deterioration	-	-	-	-	-	-	-
BALANCE SHEET							
ASSETS							
Assets by segments	-	-	-	-	-	-	-
Shareholdings in associated companies	-	-	-	-	-	-	-
Non-current assets classified as held for sale	**47,811**	37,265	-	-	-	-	10,546
Total consolidated assets	**47,811**	**37,265**	-	-	-	-	**10,546**
LIABILITIES							
Liabilities and equity by segments	**47,811**	37,265	-	-	-	-	10,546
Total Consolidated Liabilities and Equity	**47,811**	**37,265**	-	-	-	-	**10,546**

	Thousand euros						
	Total						
	31/12/2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	**186,186**	47,492	26,153	58,740	29,393	13,827	576
Depreciation	**(297,080)**	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)
Net profit (loss) for asset deterioration	**4,389**	4,161	71	5,518	(3,996)	(1,742)	877
BALANCE SHEET							
ASSETS							
Assets by segments	**4,336,568**	838,471	1,129,590	739,488	817,721	504,791	256,507
Shareholdings in associated companies	**7,517**	929	-	-	-	6,588	-
Non current assets classified as held for sale	**17,811**	37,265					10,546
Total consolidated assets	**4,391,896**	**926,665**	**1,129,590**	**739,488**	**817,721**	**511,379**	**267,053**
LIABILITIES							
Liabilities and equity by segments	**4,391,896**	926,665	1,129,590	739,488	817,721	511,379	267,053
Total Consolidated Liabilities and Equity	**4,391,896**	**926,665**	**1,129,590**	**739,488**	**817,721**	**511,379**	**267,053**

28.2 Information on secondary segments

The following table shows the breakdown of certain Group consolidated balances in accordance with the geographical distribution of the entities giving rise to them:

Significant information from the Income Statement by Geographic Area	Thousands of euros (2020)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	TOTAL
Revenues	133,743	114,695	83,111	117,343	29,928	57,330	**536,150**
Depreciation	(95,060)	(46,717)	(53,111)	(68,092)	(10,593)	(28,904)	**(302,477)**
Net profit (loss) for asset deterioration	(3,957)	(2,833)	(47,370)	(13,714)	(972)	(7,412)	**(76,258)**
Financial Income	899	70	30	273	429	15	**1,716**
Financial Expenses	(35,052)	(30,651)	(19,737)	(26,202)	(7,529)	(16,374)	**(135,545)**
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	796	—	**796**
Profit (Loss) from entities valued through the equity method	(6,927)	—	—	—	(541)	—	**(7,468)**
Variation in the provision for onerous contracts	—	—	—	—	—	—	**—**
Corporation tax	236	17,094	29,115	22,371	3,465	2,872	**75,153**
Profit (loss) for the year from discontinued operations net of tax	—	—	—	—	—	(66)	**(66)**

Significant information from the Income Statement by Geographic Area	Thousands of euros (2019)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	TOTAL
Revenues	440,162	371,054	305,712	323,639	121,275	146,236	**1,708,078**
Depreciation	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)	**(297,080)**
Net profit (loss) for asset deterioration	4,161	71	5,518	(3,996)	(1,742)	877	**4,889**
Financial Income	2,388	236	26	465	1,030	59	**4,204**
Financial Expenses	(38,266)	(19,334)	(22,654)	(32,450)	(11,090)	(11,678)	**(135,472)**
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	(85)	—	**(85)**
Profit (Loss) from entities valued through the equity method	(71)	—	—	—	94	(1)	**22**
Variation in the provision for onerous contracts	—	—	—	—	—	—	**—**
Corporation tax	(6,796)	(13,317)	(13,319)	(757)	(3,656)	(723)	**(38,568)**
Profit (loss) for the year from discontinued operations net of tax	—	—	—	—	—	50	**50**

29.- REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Management Bodies of the Parent Company have the following composition at 31 December:

– Board of Directors: 9 members (9 members at 31 December 2019),
– Audit and Control Committee: 3 members (3 members at 31 December 2019),
– Appointments and Remuneration Committee: 3 members (3 members at 31 December 2019).

The Board of Directors had 9 members; all men (in 2019, there were 9 members: one woman and eight men).

29.1 Remuneration of the Board of Directors

The amount accrued during the year by the members of the Parent Company's Board of Directors in relation to the remuneration of the Executive Directors, by-law stipulated directors' fees and attendance fees and other items, is as follows:

	Thousand euros	
Remuneration item	2020	2019
Fixed remuneration	807	1.016
Variable remuneration	—	729
Parent Company: allowances	3	11
Parent Company: attendance allowances	221	589
Transactions in shares and other financial instruments	257	491
Life insurance premiums	33	31
Others	20	20
Total	**1,341**	**2.887**

Due to the Covid-19 situation, board members voluntarily waived 50% of their remuneration from 1 March 2020 onwards.

The appointment of the Chief Operations Officer, Executive Director of the Company, by co-opting, is noteworthy. On the other hand, in September the female Executive Director of the Company left, and her remuneration is included up until she withdrew.

In relation to the heading, "Transactions on shares and/or other financial instruments", consideration has been given to the objective long-term remuneration accrued. Remuneration in kind (vehicles and medical insurance) is included under “Others”.

29.2 Remuneration of senior management

The remuneration of members of the Management Committee during the year, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	Thousand euros	
	2020	**2019**
Pecuniary remuneration	1,277	2.745
Remuneration in kind	98	86
Others	462	670
Total	**1,837**	**3.501**

There were 6 members of Senior Management at 31 December 2020 (6 members at 31 December 2019) excluding the CEO and the Chief Operations Officer due to their status as executive directors.

The notable decrease in remuneration is explained by the crisis caused by Covid-19, due to which the annual remuneration of members of the Management Committee in 2020 decreased by more than 50%.

The Chief Operations Officer's remuneration prior to being appointed Executive Director is shown as Senior Management.

Remuneration in kind includes the vehicle and the cost of insurance.

The heading Other takes the long-term objective remuneration accrued in 2020 into consideration.

29.3 Information on conflicts of interest on the part of Directors

During 2020, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of NH (94.132%) and represented on the Board by four proprietary Directors, and NH signed a series of Related Party Transactions, which are broken down in the Audit and Control Committee's Annual Report, as well as in Note 27 of this Report. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 26 March 2014. All transactions signed with Minor (and/or its group of companies) have counted on a report from the Audit and Control Committee, have been signed under market conditions and with the participation of external advisors, and in compliance with the provisions in the Framework Agreement signed between the parties on 7 February 2019, which regulates, among others, the scope of action of the respective hotel groups headed by NH and Minor through the identification of preferred geographic areas or zones, the mechanisms necessary to prevent and deal with possible conflicts of interest, as well as to carry out operations with related parties and develop business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

30.- INFORMATION ON ENVIRONMENTAL POLICY

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

The Company's environmental strategy is driven by NH ROOM4 Planet, which defines the roadmap for complying with the commitments acquired in the fight against climate change and progress towards decarbonisation, efficient management and responsible consumption of resources and the circular economy, and developing more sustainable products, but also involving employees, suppliers, shareholders and customers as key players in achieving them.

In order to formalise the extension of these commitments to the entire operation and NH Hotel Group's decision making process, in 2020, at a meeting of the Board of Directors held on 29 July, the new Environmental and Energy Policy was approved.

At NH Hotel Group the fight against climate change is a fundamental strategic value. This is way the Company was the first Spanish hotelier to establish targets for reducing emissions, scientifically validated by the Science Based Targets initiative (SBTi) last year. Therefore, NH Hotel Group formalised its commitment to reduce its carbon emissions by 20% throughout its value chain up to 2030, preventing the emission of more than 70,000 tonnes of CO2 into the atmosphere. This objective marks NH Hotel Group's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement, and join the efforts that are being made globally towards the transition to a low carbon economy.

31.- RISK EXPOSURE

Group financial risk management is centralized in the Corporate Finance Division in accordance with the policies approved by the Board of Directors. This Division has put the necessary measures in place to control exposure to changes in interest and exchange rates on the basis of the Group's structure and financial position, as well as credit and liquidity risks. If necessary, hedges are made on a case-by-case basis. The main financial risks faced by the Group's policies are described below:

Credit risk

The Group main financial assets include cash and cash equivalents (Note 15), as well as trade and other accounts receivable (Note 14). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees and advance payments by tour operators.

The Group has no significant concentration of third-party credit risk due to the diversification of its financial investments as well as to the distribution of trade risks with short collection periods among a large number of customers.

The Group has formal procedures for detecting objective evidence of impairment in trade receivables for the provision of services. As a result of these, significant delays in payment terms and the methods to be followed in estimating the impairment loss based on individual analyses are identified. Impairment of trade receivables from customers for the provision of services at 31 December 2020 amounted to 9,025 thousand euros (7,100 thousand euros at 31 December 2019) (Note 14) and customer balances not included in this provision have sufficient credit quality and, therefore, with this provision, the credit risk of these trade receivable is considered covered.

Interest rate risk

The Group's financial assets and liabilities are exposed to fluctuations in interest rates, which may have an adverse effect on its results and cash flows. In order to mitigate this risk, the Group has established policies and has part of its debt at fixed interest rates through the issue of guaranteed convertible senior bonds. At 31 December 2020, approximately 39% of the gross borrowings was tied to fixed interest rates (excluding leasing liabilities).

In accordance with reporting requirements set forth in IFRS 7, the Group has conducted a sensitivity analysis on possible interest-rate fluctuations in the markets in which it operates, based on these requirements.

Through the sensitivity analysis, taking as a reference the outstanding amount of that financing that has variable interest, we estimated the increase in the interest that would arise in the event of a rise in the reference interest rates.

- If the increase in interest rates were 25 bp, the financial expense would increase by 1,544 thousand euros plus interest.
- If the increase in interest rates were 50 bp, the financial expense would increase by 3,088 thousand euros plus interest.
- If the increase in interest rates were 100 bp, the financial expense would increase by 6,176 thousand euros plus interest.

The results in equity would be similar to those recorded in the income statement but taking into account their tax effect, if any.

Lastly, the long-term financial assets set out in Note 13 of this annual report are also subject to interest-rate risks.

Exchange rate risk

The Group is exposed to exchange-rate fluctuations that may affect its sales, results, equity and cash flows. These mainly arise from:

- Investments in foreign countries (essentially Mexico, Argentina, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Brazil, Panama and the United States).
- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Venezuela, Brazil, the United States and the United Kingdom).

In this respect, the detail of the effect on the currency translation difference of the main currencies in 2020 was as follows:

	Thousand euros	
	Currency translation difference	Changes with respect to 2019
Uruguayan peso	(4,647)	(2,023)
Mexican peso	(22,207)	(5,611)
Colombian peso	(32,498)	(7,977)

The changes in the currency translation difference of the above currencies was mainly due to the movements in exchange rates between 31 December 2020 and 31 December 2019:

Year-end euro reference exchange rate	2020	2019	Variation
Uruguayan peso	0,019240	0,023800	(19,16%)
Mexican peso	0,040960	0,047120	(13,07%)
Colombian peso	0,000240	0,000270	(11,11%)

As can be observed in the table, the movements in the exchange rate of the currencies with respect to the end of the previous year is in line with the changes in equity associated with these currencies.

Below is a detail of the movements in the average exchange rate between 2020 and 2019 of the aforementioned currencies:

Average euro reference exchange rate in the year	2020	2019	Variation
Uruguayan peso	0,020840	0,025360	(17,82%)
Mexican peso	0,040790	0,046390	(12,07%)
Colombian peso	0,000240	0,000270	(11,11%)

For these currencies an analysis was carried out to determine if it would be better to apply a monthly average or cumulative average exchange rate, and no significant difference resulted from this analysis.

Liquidity risk

Exposure to adverse situations in debt or capital markets could hinder or prevent the Group from meeting the financial needs required for its operations and for implementing its Strategic Plan.

Management of this risk is focused on thoroughly monitoring the maturity schedule of the Group's financial debt, as well as on proactive management and maintaining credit lines that allow forecast cash needs to be met.

The Group's liquidity position at 31 December 2020 is based on the following points:

- The group had cash and cash equivalents amounting to 320,851 thousand euros.
- Available undrawn credit facilities of 25,000 thousand euros (Note 18).

The capacity of the business units to generate positive cash flows from operations.

Lastly, the Group makes cash flow forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This Group liquidity policy ensures payment undertakings are fulfilled without having to request funds at onerous conditions and allows its liquidity position to be monitored on a continuous basis.

32.- EVENTS AFTER THE REPORTING PERIOD

On 12 February 2021, the Group informed the workers of its central and corporate services in Spain of its intention to begin collective redundancies. The documentation that will make up the corresponding file will be transferred in a timely manner to both the labour authority and to the Committees that are set up for the negotiations. The conditions and the number of those affected will be subject to negotiation. All of this happens in accordance with the provisions of Article 51 of Royal Legislative Decree 2/2015, of 23 October which approves the Consolidated Text of the Workers' Statute Law and Royal Decree 1483/2012, of 29 October that approves the Regulations for the Procedures for Collective Redundancy and Suspension of Contracts and Reduction of Working Hours.

APPENDIX I: SUBSIDIARIES

The data on the Parent company's subsidiaries at 31 December 2020 are presented below:

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real Estate	94%	94%
Artos Beteiligungs, GmbH	Munich	Holding	100%	100%
Astron Immobilien, GmbH	Munich	Holding	100%	100%
Astron Kestrell, Ltd.	Plettenberg Bay	Hotel Business	100%	100%
Atlantic Hotel Exploitatie, B.V.	Den Haag	Hotel Business	100%	100%
Chartwell de México, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Coatzacoalcos	Hotel Business	100%	100%
City Hotel, S.A.	Buenos Aires	Hotel Business	50%	50%
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	100%	100%
Nhow london, Ltd.	Londres	Hotel Business	100%	100%
Coperama Holding, S.L.	Madrid	Procurement platform	100%	100%
DAM 9 B.V.	Amsterdam	Holding	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	50%	50%
Expl. Mij. Hotel Best, B.V.	Best	Hotel Business	100%	100%
Expl. mij. Hotel Doelen, B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij. Hotel Naarden, B.V.	Naarden	Hotel Business	100%	100%
Expl. mij. Hotel Schiller, B.V.	Amsterdam	Hotel Business	100%	100%
Exploitatiemaatschappij Caransa Hotel, B.V.	Amsterdam	Inactive	100%	100%
Franquicias Lodge, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Gran Circulo de Madrid, S.A.	Madrid	Food and beverage	99%	99%
Grupo Hotelero Monterrey, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Grupo Hotelero Queretaro, S.A. de C.V.	Querétaro	Hotel Business	69%	69%
Heiner Gossen Hotelbetrieb, GmbH	Mannheim	Hotel Business	100%	100%
The Marker Anantara Ltd.	Dublin	Holding	100%	100%
GCS Hotel Ltd.	Dublin	Hotel Business	100%	100%
NH Cash Link, S.L.	Madrid	Financing	100%	100%
HEM Atlanta Rotterdam, B.V.	Hilversum	Hotel Business	100%	100%
HEM Epen Zuid Limburg, B.V.	Wittem	Hotel Business	100%	100%

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
HEM Marquette Heemskerk, B.V.	Hilversum	Hotel Business	100%	100%
HEM Onderlangs Arnhem, B.V.	Arnhem	Hotel Business	100%	100%
HEM Spuistraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
HEM Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
HEM Van Alphenstraat Zandvoort, B.V.	Hilversum	Hotel Business	100%	100%
Highmark Geldrop, B.V.	Geldrop	Hotel Business	100%	100%
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	50%	50%
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real Estate	94%	94%
Hotel de Ville, B.V.	Groningen	Hotel Business	100%	100%
Hotel Expl. Mij Amsterdam Noord, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij Leijenberghlaan Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel expl. mij. Capelle a/d Ijssel, B.V.	Capelle a/d Ijssel	Hotel Business	100%	100%
Hotel expl. mij. Danny Kayelaan Zoetermeer, B.V.	Hilversum	Hotel Business	100%	100%
Hotel expl. mij. Stationsstraat Amersfoort, B.V.	Amersfoort	Hotel Business	100%	100%
Hotel Holding Onroerend Goed d'Vijff Vlieghen B.V.	Hilversum	Hotel Business	100%	100%
Hotelera de la Parra, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	50%	50%
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Inversiones Chilenas, S.A.S	Bogotá	Hotel Business	98%	98%
Gestora hotelera del siglo XXI, S.A.	Barcelona	Hotel Business	100%	100%
Hotelexploitatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real Estate	94%	94%
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real Estate	100%	100%
Jan Tabak, N.V.	Bussum	Hotel Business	83%	83%
JH Belgium, S.A.	Bruselas	Hotel Business	100%	100%
JH Deutschland, GmbH	Colonia	Hotel Business	100%	100%
JH Holland, N.V.	Amsterdam	Hotel Business	100%	100%
JH USA, Inc.	Wilgminton	Hotel Business	100%	100%
Koningshof, B.V.	Veldhoven	Hotel Business	100%	100%

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
Krasnapolsky Belgian Shares, B.V.	Hilversum	Holding	100%	100%
COPERAMA Benelux, B.V.	Amsterdam	Procurement platform	100%	100%
Krasnapolsky Hotels & Restaurants, N.V.	Amsterdam	Holding	100%	100%
Krasnapolsky Hotels, Ltd.	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT, B.V.	Hilversum	Inactive	100%	100%
Krasnapolsky International Holding, B.V.	Amsterdam	Holding	100%	100%
Latina Holding S.A.U.	Buenos Aires	Holding	100%	100%
Latina Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	100%	100%
Latinoamericana de Gestion Hotelera, S.L.	Madrid	Holding	100%	100%
Leeuwenhorst Congres Center, B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitatie, B.V.	Sprang Capelle	Hotel Business	100%	100%
Marquette Beheer, B.V.	Hilversum	Real Estate	100%	100%
Museum Quarter, B.V.	Hilversum	Hotel Business	100%	100%
Nacional Hispana de Hoteles, S.A.	México D.F.	Hotel Business	100%	100%
Aguamarina S.A.	Rep. Dominicana	Business services	100%	100%
NH Atardecer Caribeño, S.A.	Madrid	Business services	100%	100%
NH Belgium, cvba	Diegem	Holding	100%	100%
NH Caribbean Management, B.V.	Hilversum	Management	100%	100%
NH Central Europe Management, GmbH	Berlin	Hotel Business	100%	100%
NH Central Europe, GmbH & Co. KG	Berlin	Hotel Business	100%	100%
NH Central Reservation Office, S.A.	Madrid	Call Center	100%	100%
NH Finance, S.A.	Luxemburgo	Financing	100%	100%
NH Financing Services S.a r.l.	Luxemburgo	Financing	100%	100%
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.A.	Barcelona	Hotel Business	100%	100%
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hotelbetriebs-u Entwickhungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hoteles Austria, GmbH	Viena	Hotel Business	100%	100%
NH Hoteles Deutschland, GmbH	Berlin	Hotel Business	100%	100%
NH Hoteles España, S.A.	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.U.	Francia	Hotel Business	100%	100%
NH Hoteles Switzerland GmbH	Fribourg	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Praga	Hotel Business	100%	100%
NH Hotels Polska, Sp. Zo.o.	Polonia	Hotel Business	100%	100%
NH Hotels USA, Inc.	Houston	Hotel Business	100%	100%
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	100%	100%

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
NH Lagasca, S.A.	Madrid	Hotel Business	75%	75%
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	75%	75%
NH Marin, S.A.	Barcelona	Hotel Business	50%	50%
NH Private Equity, B.V.	Luxemburgo	Hotel Business	100%	100%
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH The Netherlands, B.V. (vh GTI, B.V.)	Hilversum	Holding	100%	100%
Nhow Rotterdam, B.V.	Den Haag	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Diegem N.V.	Diegem	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Eindhoven B.V.	Hilversum	Hotel Business	100%	100%
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%
Objekt Leipzig Messe, GmbH & Co.	Munich	Real Estate	94%	94%
Olofskapel Monumenten, B.V.	Amsterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Capelle aan den Ijssel, B.V.	Capelle a/d Ijssel	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Ijsselmeerweg Naarden, B.V.	Naarden	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	100%	100%
Operadora Nacional Hispana, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Palatium Amstelodamum, N.V.	Amsterdam	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghen, B.V.	Amsterdam	Food and beverage	100%	100%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	100%	100%
Servicios Corporativos Hoteleros, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Nhow Amsterdam, B.V.	Utrecht	Inactive	100%	100%
Toralo, S.A.	Montevideo	Hotel Business	100%	100%
VSOP VIII, B.V.	Groningen	Hotel Business	50%	50%
NH Wilhelminakade Holding B.V.	Northen Europe	Hotel Business	100%	100%
Coperama Spain, S.L.	Madrid	Procurement platform	100%	100%

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
Hoteles Royal, S.A.	Bogota	Holding	98%	98%
Eurotels Chile S.A.	Chile	Holding	98%	98%
Hotelera Norte Sur S.A	Chile	Real Estate	98%	98%
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	54%	54%
HR Quántica SAS	Bogota	Hotel Business	50%	51%
Inmobiliaria Royal S.A	Chile	Real Estate	66%	67%
Royal Hotels Inc.	USA	Hotel Business	98%	98%
Royal Hotels International Latin América Inc	USA	Hotel Business	98%	98%
Royal Santiago Hotel S.A.	Chile	Hotel Business	66%	67%
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	63%	64%
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	54%	54%
Sociedad Operadora Nh Royal Panama S.A.	Ciudad de Panamá	Hotel Business	98%	98%
NH Italia, S.p.A.	Milan	Hotel Business	100%	100%
Immo Hotel Bcc N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Belfort N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Brugge N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Diegem N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gent N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gp N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Stephanie N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Mechelen N.V.	Diegem	Real Estate	100%	100%
NH Management Black Sea Srl	Bucarest	Hotel Business	100%	100%
NH Brasil Abrasil Administraçao De Hoteis E Participadas Ltda.	Villa Olimpica	Hotel Business	100%	100%
Capredo Investments, GmbH	Suiza	Holding	100%	100%
Palacio de la Merced, S.A.	Burgos	Hotel Business	88%	88%
Latinoamericana Curitiba Administracao De Hoteis Ltda	Curitiba	Hotel Business	100%	100%
NH Italia Real Estate, S.r.l.	Milano	Real Estate	100%	100%
NH Holding, S.r.l.	Milano	Holding	100%	100%
Coperama Italia S.r.l.	Milano	Procurement platform	100%	100%
Coperama Central Europe Gmbh	Berlin	Procurement platform	100%	100%
Iberinterbrokers, S.L.	Barcelona	Services supplier	75%	75%
Coperama Colombia, S.A.S	Bogotá	Procurement platform	100%	100%
Coperama Mexico S.A. de C.V.	México D.F.	Procurement platform	100%	100%
Wilan Ander, S.L.	Madrid	Hotel Business	100%	100%
Wilan Huel, S.L.	Madrid	Hotel Business	100%	100%
NH Strandgade APS	Copenhague	Hotel Business	100%	100%
NH Italia Real Estate, S.r.l.	Italia	Real Estate	100%	100%
NH Holding Srl	Italia	Holding	100%	100%
Hungarian Opco New York Palace K.F.T.	Hungria	Hotel Business	100%	100%
Italian OpCo Roco Hospitality Group, S.R.L.	Italia	Hotel Business	100%	100%
Czech Opco AGAGA, s.r.o.	Chequia	Hotel Business	100%	100%

APPENDIX II: ASSOCIATED COMPANIES

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Borokay Beach, S.L.	Madrid	Hotel business	50%	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico	Hotel business	10%	10%
Servicios Corporativos T2, S.A. DE C.V	Mexico	Hotel business	10%	10%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel business	27%	27%
Gente con actitud de servicios gecase, S.A. De C.V.	Puebla	Hotel business	27%	27%
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel business	25%	25%
Servicios Corporativos 1912, S.A. DE C.V	Mexico	Hotel business	25%	25%
Kensington Hotel Value Added I, Ltd	Londres	Hotel business	30%	30%
Sotocaribe, S.L.	Madrid	Holding	36%	36%
Hotelera del Mar, S.A.	Mar de Plata	Hotel business	20%	20%

CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

NH Hotel Group is an international hotel operator and one of the leading urban hotel companies worldwide in terms of number of rooms. The Group operates 361 hotels and 55,371 rooms in 29 countries, and has a significant presence in Europe.

The centralised business model allows it to offer a consistent level of service to its customers in different hotels in different regions. The corporate headquarters and regional offices offer hotels a wide range of functions such as sales, reservations, marketing and systems.

Following the start of the Covid-19 pandemic in the first quarter of 2020, available economic data points to an unprecedented decline in global activity. Covid-19 has paralysed the world and tourism is one of the most affected economic sectors. In several regions of the world, borders remain closed to tourism and the Covid-19 pandemic continues to spread. Even when the worst seems to be over, the threat of further outbreaks is ever present.

Consumption and demand for services have declined sharply due to social distancing, lockdown, drastic loss of income and weakening consumer confidence. Mobility continues to be subdued and continues to be low in comparison to levels prior to the virus appearing.

Therefore, during 2020, due to the economic crisis caused by the Covid-19 pandemic, the global economy decreased -3.5%, compared to growth of +2.8% in the previous year (Data and estimates from the IMF's "World Economic Outlook", January 2021). The global economy is beginning to leave the minimums it fell into during the Great Lockdown in April behind. However, as the Covid-19 pandemic is continuing to spread, many countries have slowed down reopening and are once again imposing partial lockdowns to protect susceptible populations. Although China recovered more quickly than expected, the long road that must be taken by the global economy to pick up the levels of business prior to the pandemic is still susceptible to drawbacks.

Therefore, the European Union has estimated +5.5% growth of world economic activity in 2021. More specifically in the Eurozone, the provisional growth rate for 2020 was -7.2% (+1.3% in 2019) and growth is expected to be +4.2% in 2021. The rates in the four countries that bring the greatest proportion of the Group's sales and profits show rates of decline in 2020: Spain (-11.1% in 2020 vs. +2.0% in 2019), Holland (-5.4% in 2020 vs. +1.7% 2019), Germany (-5.4% in 2020 vs. +0.6% in 2019), and Italy (-9.2% in 2020 vs. +0.3% in 2019 On the other hand, the decrease in Latin America was -7.4% in 2020 (vs. +0.2% in 2019) as all the economies as a whole have suffered the consequences created by Covid-19. Uncertainty about health and economic policy, aggravated by the moderate prices of raw materials, have given rise to a sharp fall in economic activity in 2020 and have also affected the prospect of a rapid rebound.

World tourism recorded its worst year in 2020, with a fall of 74% in international arrivals, according to the latest data from the World Tourism Organisation (UNWTO). In 2020, destinations all over the world received 1 billion fewer international arrivals than the previous year, due to an unprecedented crash in demand and the general restrictions on travel. By comparison, the decline recorded during the 2009 global economic crisis was 4%.

According to the latest World Tourism Barometer from the UNWTO, the crash in international travel represents estimated losses of 1.3 billion dollars in export income. This figure is more than eleven times the losses recorded during the 2009 global economic crisis. The crisis has put between 100 and 120 million direct tourism jobs at risk, many of them in small and medium enterprises.

In 2020, Spain recorded a decrease of 70% in the number of arrivals, in spite of a small, brief upturn in the summer of 2020. The region suffered the greatest drop in absolute terms, with a decrease of more than 500 million tourists in 2020. The Americas recorded a 69% drop in international arrivals, with slightly better results in the last quarter of the year.

Given the constant evolution of the pandemic, many countries have been reintroducing stricter restrictions on travel since the beginning of the year. The steps taken include compulsory tests, quarantines and, in some cases, complete border closure, all of which makes it difficult to resume international travel. At the same time, it is to be hoped that the gradual arrival of vaccines against Covid-19 help to reinstate consumer confidence, ease travel restrictions and that travel slowly gets back to normal during 2021.

It is worth noting the Company's solid position with which to deal with the current situation after its operational and financial transformation in previous years. The excellent performance of the group in recent years is the result of a complete transformation within the group, particularly brand segmentation, portfolio optimisation, significant investment in repositioning and systems, the focus on efficiency and cost control, and the reduction of financial indebtedness.

The embodiment of an NH Hotel Group value proposition based on the improvement of quality, experience and brand architecture with the NH Collection, NH Hotel and nhow brands are a reality today in the Group. In this ongoing improvement of the customer experience, "Fastpass", a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online) was launched in 2019, which gives customers full control over their stay. In this respect, NH Hotel Group has become the first European chain to offer these three services simultaneously. A new service, “City Connection”, has been launched where you can enjoy the city without limits. Under the slogan “Stay in one hotel, enjoy them all”, the NH Hotel Group offered a range of services that allow customers to enjoy them in any hotel in the city they are in, regardless of the hotel they are staying in for the duration of their stay.

The NH Hotel Group continues to be at the forefront of innovation. The Group's Digital Transformation has allowed processes and systems to be made more efficient, increasing the capacity to be different from the competition, and continue improving the Company's basic processes. One of the greatest achievements therefore has been to centralise all its properties and functions into a single integrated system. This allows the NH Hotel Group to have a fully-integrated digital platform: NH Digital Core Platform. A pioneering technological solution in the sector that has allowed all the Group's hotel’s systems to be integrated which has become the basis for the NH Hotel Group to expand its customer knowledge, maximise its efficiency and innovate on a large scale in all its value areas.

In its use of quality indicators, the NH Hotel Group focuses on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in 2020 was 8.5, compared to 8.4 in December 2019. Additionally, its average Google Reviews score was 8.7, compared with 8.6 in December 2019. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

The NH Rewards loyalty programme has also reached 9.8 million members (9.5 million in 2019) and is one of the most comprehensive rewards schemes worldwide.

On the other hand, in 2020, the Group started operating 11 new hotels in the following destinations: London, Amsterdam, Verona, Rome, Florence, Venice, Budapest, Prague and Tozeur. As a whole, all the openings in the year contribute 1,966 rooms and, as a result, the Group now has 361 hotels with 55,371 rooms at 31 December 2020.

These openings include the hotels in the agreement reached on 07 September 2020 with Covivio, one of the leading European real estate investors, to operate a unique portfolio of 8 high-end hotels previously belonging to the renowned Boscolo portfolio, located in privileged locations in Rome, Florence, Venice, Nice, Prague and Budapest. This portfolio will be operated by the NH Hotel Group under a sustainable variable rental contract

with a guaranteed minimum that includes a loss protection mechanism and extension rights at NH's option. Most of the hotels will be converted to the Anantara and NH Collection brands after carrying out an in-depth repositioning programme in all properties promoted by Covivio over the coming months.

The Group also signed-up 2 new hotels with 487 bedrooms in 2020. These sign ups were on a rental basis in Copenhagen and under management in Tozeur. The sign ups were under the NH Collection brand and the luxury brand Anantara, respectively.

Revenues in 2020 totalled 536.2 million euros, a drop of -68.6% (-1,172.0 million euros). The Profit for the year attributable to the Parent was -437.2 million euros compared with 90.0 million euros in 2019. This decrease is wholly explained by the impact of Covid-19 on business since March.

In this year gross borrowing increased from 455.6 million euros in December 2019 to 998.1 million euros in December 2020. At 31 December 2020, cash and cash equivalents amounted to 320.9 million euros (289.3 million euros at 31 December 2019). Additionally, this liquidity was complemented by credit lines at the end of the year amounting to 25.0 million euros, compared to 306.1 million euros at 31 December 2019, of which 250 million euros corresponded to a long-term syndicated credit line (fully drawn down at the close of the 2020 financial year).

During 2020, rating agencies updated their outlooks on companies in the sector after the impact of Covid-19. Moody's set NH Hotel Group’s rating at 'B3' with a stable outlook from 'B1', reflecting the impact of the Coronavirus outbreak. Fitch lowered it from 'B' to 'B-' due to the impact of the pandemic on the sector and in line with applying its parent and subsidiary rating linkage criteria. It should be noted that both agencies have stated that NH has sufficient liquidity to deal with the current crisis.

As a result of the public offering on 31 October 2018, Minor currently owns 369,165,609 shares in NH Hotel Group, S.A. representing 94.13% of its share capital. Since then, both companies have begun to explore joint value creation opportunities for the coming years.

Minor Hotels and NH Hotel Group have integrated their brands under a single corporate umbrella present in more than 50 countries around the world. In this way, a portfolio of more than 500 hotels under eight brands is organised: NH Hotels, NH Collection, nhow, Tivoli, Anantara, Avani, Elewana and Oaks, which completes a wide and diverse spectrum of hotel proposals connected to the needs and desires of global travellers.

Both groups currently share their knowledge base and experience in the sector in order to materialise short-term opportunities, taking advantage of the complementarity of their hotel portfolios to define a global sales strategy, the implementation of economies of scale with a broader customer base, explore development pathways for all their brands in different geographical areas and access to shared talent.

Covid-19 impact and the measures implemented

After the start of the Covid-19 pandemic in the middle of March in Europe, demand for hotels dropped drastically due to lockdowns, travel restrictions and social distancing, which drastically affected mobility.

During the months of lockdown, isolation and intense confinement from March until the end of May, around 95% of our hotels were closed and those which remained open were for charitable purposes. As a result, the second quarter was the quarter most affected by an extremely low level of demand.

The hotels’ gradual reopening began at the end of May and was done progressively depending on recovery of demand and with a focus on optimising profitability. In June, around 60% of the hotel portfolio was open, 70% in July, and around 80% at the end of August and September.

The smooth reopening of the hotels since June, after the portfolio was closed in March due to the intense lockdown, enabled the attraction of national customers during the third quarter. The reopening, in spite of the low level of demand due to mobility restrictions, was possible because of the flexible cost structure.

In 2020 NH Hotel Group put "Feel Safe at NH" into place in all its hotels. This is a new plan, with measures approved by experts, to face up to the health crisis caused by the SARS-CoV-2 coronavirus. The Company has reviewed all its procedures and made nearly 700 adaptations to its operating standards to preserve the health and safety of travellers and employees worldwide. Grouped into 10 main lines of action and backed by specialists in different fields, the measures implemented cover the digitisation of hotel services, adapting sanitation processes, including social distancing regulations in operations and the application of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that the Group's hotels are clean and safe environments.

As a result of the impact of the second wave of infections in Europe at end of the third quarter, apart from delaying additional reopenings that had been planned for the last months of 2020, hotels were closed once again and, at the end of December 2020, around 60% of the portfolio was open. The impact of the second wave and the stricter restrictions on mobility during the last months of the year resulted in a lower level of business when compared to the third quarter.

In spite of the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges in 2020. Although the challenges will continue in the first months of 2021, the Group will benefit in the first stage of recovery from brand recognition, excellent locations and strong market positioning, once recovery is spearheaded in Europe.

Contingency Plan

As a result of the exceptional circumstances that occurred after the start of the global pandemic (Covid-19) that is affecting all the countries where the NH Hotel Group operates, the Group implemented different measures and plans to adapt the business and ensure its sustainability with the aim of minimising costs whilst hotels are closed, preserving the Company's liquidity to meet operational needs and ensure that the recovery of the hotel activity is carried out efficiently and under maximum guarantees in terms of health and safety.

Given the lack of visibility on the speed of business's recovery, the following discipline and cost control measures were implemented, and continue to be implemented, to minimise operational expenses and preserve liquidity:

- Personnel: The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons. These processes continued during the second half of 2020, to reduce the work force temporarily, and will continue during the first part of 2021 in various countries.

- Operational costs:
  - Negotiations with suppliers to reduce purchase costs, seek alternative, cheaper products and attain improvements to payment terms.
  - All Group staff travel suspended since early March.
  - Suspension of non-priority third party advisory services.
  - Significant reduction in marketing and advertising costs despite the need to boost income.

- Leases: Temporary reduction in fixed leases from the second quarter based on the health crisis scenario and the restrictions approved by all the governments that impact on essential elements of the business. These negotiations will continue in the first part of 2021.

- Capex: The greater part of investments were stopped, except those that are legally required or in a very advanced stage. Implementation of 2020 Capex (maintenance, refurbishment, systems and new openings) was reduced by around €100m which is a 50% decrease on the original plan for 2020.

- Strengthening liquidity:
  - €275 million of credit lines were drawn down in March.
  - The 2019 dividend proposal of €0.15 per share was withdrawn, as this would have involved an estimated pay out of around 59 million euros.
  - Signing in May of a 3-year syndicated financing agreement for €250 million guaranteed by the ICO.
  - In October the extension of the syndicated credit line maturity date to March 2023 was agreed. It originally matured on September 2021, with a €236 million limit.
  - In addition to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for the months of June and December 2020, unanimous approval from the loan institutions was also obtained by the NH Hotel Group to extend the waiver until June 2021. This waiver until June 2021 also extends to the syndicated loan with the ICO guarantee for €250 million.

Recovery of demand will occur once spread of the virus is tempered and vaccination is extended in the population. The Group will take advantage of its strong positioning in Europe, with excellent locations and high brand recognition, alongside the high weight of domestic demand.

The recovery stage will initially be driven by European domestic demand for leisure, as international mobility will continue to be low in the first stage. The business and corporate segment will take longer to recover, due to the macroeconomic environment and social distancing that restrict the size of events.

Covid-19 has brought forward a large part of the strategic strategies aimed at efficiency. During 2021, once the company has a better view of how demand recovers, the remainder of the initiatives will be defined in a new strategic plan.

ETHICS

Compliance System

Since 2014, NH Hotel Group has deployed a Compliance unit whose scope includes the following key areas:

- Code of Conduct.
- Criminal Risk Prevention Plan.
- Internal Rules of Conduct.
- Procedure for Conflicts of Interest.

Code of conduct

In line with its ethical commitment and the best practices of corporate governance, NH Hotel Group has carried out communication, awareness and training campaigns on Compliance since the last update to the Code of Conduct in 2015. The Group's Board of Directors is responsible for approving the Code of Conduct.

This document affects everybody working at the NH Hotel Group, applicable to employees, managers and members of the Board of Directors of both the Company and its group of companies, and also in certain cases to other stakeholders such as customers, suppliers, competitors and shareholders, and to the communities where NH operates its hotels.

The Code of Conduct summarises the professional behaviour expected of employees, senior management and Board Members of the NH Hotel Group and its group of companies, who commit to acting with integrity, honesty, respect and professionalism in the performance of their work.

The NH Group is committed to compliance with the laws and regulations of the countries and jurisdictions where it operates. This includes, amongst other things, laws and regulations on health and safety, discrimination, taxation, data privacy, competition, prevention of corruption and money laundering, and commitment to the environment.

The Code of Conduct is published in six languages on the official website of the NH Hotel Group, available to all stakeholders. Also, since 2017, NH employees can use the "My NH" app to access the code of conduct from their mobile devices. The staff at centres operating under NH Hotel Group brands also have a handbook and an FAQs document.

The head of Internal Audit manages the Confidential Channel for Complaints. The procedure for managing complaints received via the complaints channel are specified in detail in the Code of Conduct. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

Over the course of 2020, there were 38 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in 30 cases.

Compliance Committee

In 2014 the NH Hotel Group created a Compliance Committee consisting of certain members of the Management Committee and senior directors. This body is empowered to supervise compliance with the Group's Internal Rules of Conduct, Procedure for Conflicts of Interest, Code of Conduct and Criminal Risk Prevention Plan.

The Compliance Committee supervises the management of the Compliance Office and is empowered to impose disciplinary measures on employees in matters within its scope.

In the course of 2020, there were three meetings of the Compliance Committee.

The Company has decided to roll out its crime prevention model to other countries (Germany, Holland, Belgium, United Kingdom, Colombia, Mexico and Argentina), having constituted local Compliance Committees in the Business Units covering the aforementioned countries.

Compliance Office

The Compliance Office, led by the Group's head of Compliance, is responsible for disseminating and supervising compliance with the Code of Conduct and for drafting the Criminal Risk Prevention Plan. The Compliance Office reports directly to the Compliance Committee.

Anti-Corruption and Fraud Policy

NH Hotel Group has an anti-corruption and fraud policy which was initially approved by the Board of Directors in January 2018 and amended in May 2019. The general principles of the Anti-Corruption and Fraud Policy are:

- Zero tolerance of bribery and corruption in the private and public sectors
- Behaviour must be appropriate and legal
- Transparency, integrity and accuracy in financial information
- Regular internal control
- Local legislation shall take precedence if stricter

Drawing up of the anti-money laundering policy

NH's Code of Conduct reflects a commitment to respect the applicable regulations on anti-money laundering policy, with special attention to diligence and care in the processes of evaluating and selecting suppliers, and in payments and collections in cash. Therefore, the Compliance Committee meeting of 19 December 2018 approved a policy that reinforces NH Hotel Group's commitment to anti-money laundering and combating the financing of terrorism, with the aim of detecting and preventing NH Hotel Group, S.A. and its group companies from being used in money laundering or terrorist financing operations. Said Policy was approved by the Board on 13 May 2019.

The aforementioned Policies have been duly communicated to all Group employees and the corresponding online training has been made available to ensure their disclosure and understanding.

RISK MANAGEMENT

Risk management governance

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors. As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In this regard, carried out during the various meetings held in 2020 were control and monitoring of the Company's main risks, their evolution in recent years and the main mitigation and response measures.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For them, the Company has an internal risk management manual that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives. To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party has reviewed its operation annually for the last two years.

As an additional guarantee of independence, Risk Management is independent of the Business Units and, as with Internal Audit, it maintains a functional reporting line to the Audit and Control Committee.

In line with the above, NH follows the Three Lines model published in July 2020 by the Global IIA:

a. First line: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
b. Second line: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
c. Third line: carried out by Internal Audit that affords independent assurance.

The NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

Risk management model

NH Hotel Group's risk management system, rolled out at Group level, aims to identify events that may negatively affect achievement of the objectives of the Company's Strategic Plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the group's revenue and reputation.

The risk management model is based on the integrated COSO IV ERM (Enterprise Risk Management) framework, and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

a. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
b. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
c. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives to identify measures to mitigate these risks, as well as establish action plans based on the Company's tolerance to risk.
d. To follow-up on the action plans established for the main risks, within a continuous improvement model framework.

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. The Company updated its Risk Map in 2020 through a process in which 22 Senior Executives identified and assessed the main risks faced by the Company. This Map was approved by the Board of Directors at its meeting on 29 July 2020.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each risk owner is responsible for mitigation measures, either existing or in progress, for their risks and the implementation status of action plans.

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, both financial and non-financial. The final catalogue is validated with the Senior Executives who take part in the process, as well as with the bodies involved in its validation (Management Committee, Executive Risk Committee and Audit and Control Committee) and approval (Board of Directors). Additionally, Risk Owners can report/suggest a new risk to the Risk Office during the year.

In general, the risks to which the Group is exposed can be classified into the following categories.

a. Financial Risks: events that affect financial variables (interest rates, exchange rates, inflation, liquidity, debt, credit, etc.).
b. Compliance Risks: arising from possible regulatory changes as well as non-compliance with internal and external regulations.
c. Business Risks: generated by inadequate management of procedures and resources, whether human, material or technological.
d. Risks from External Factors: arising from natural disasters, political instability or terrorist attacks.
e. Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information.
f. Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

Apart from this classification, the Company has identified emerging risks and ESG risks that it particularly monitors (described in the annual non-financial information report).

New data protection plan

Due to the mandatory application of the General Data Protection Regulation (GDPR) in the European Union from May 2018, NH Hotel Group has launched a plan to guarantee compliance with the regulation, included in and aligned with the Transformation Plan.

This new plan includes general privacy measures by default, so that all the company's activities, applications, processes, and projects will take privacy matters into account. The plan includes key initiatives such as the effective management of personal data infringements, the data subject's consent to the gathering and use of their data, and a policy for the destruction of physical or virtual data. The plan also provides for the creation of a Data Protection Officer within the NH Hotel Group.

NH ROOM 4 SUSTAINABLE BUSINESS PILLARS AND COMMITMENTS

The NH Hotel Group performs its hotel activity with the ambition of leading responsible behaviours, and creating shared value at an economic, social and environmental level wherever it operates. With this philosophy, in 2020 the Company continued with its strategy, in which one of the pillars is NH ROOM4 Sustainable Business; a key part of the Company's global strategy.

The strategic vision of NH ROOM4 Sustainable Business is, in turn, based on three fundamental management levers: NH ROOM4 People, NH ROOM4 Planet and NH ROOM4 Responsible Shared Success, all of which are framed under the same premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

Convinced it is moving in the right direction to achieve the next sustainability challenges, the Company is aligned with the Sustainable Development Goals (SDGs) to which it can contribute and undertakes to continue creating long-term and global value within the framework of the 2030 Agenda.

A noteworthy milestone for NH Hotel Group in 2020 was participating, for the second time and voluntarily, in the Corporate Sustainability Assessment (CSA) carried out by the sustainable investment agency SAM, gaining 3rd place in the ranking for companies on the Dow Jones Sustainability Index, and standing out as one of the most sustainable leaders in the sector. This result consolidated NH Hotel Group as one of the benchmark companies for sustainability in the industry worldwide, and backs up NH Hotel Group's strength in social, environmental and economic performance. This improvement demonstrated by the Company this year has led it to achieve the Bronze Class recognition in "The Sustainability Yearbook 2021" published by S&P Global, as well as the Industry Mover distinction for registering the greatest improvement in the sector in the last year.

Since 2013, the NH Hotel Group has been listed on the FTSE4GOOD index and renews its presence year after year thanks to the responsible management of the business and the improvements implemented. The index was created by the London Stock Exchange to help investors include environmental, social and governance (ESG) factors into their decision making.

The NH Hotel Group has reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking. With this rating, the NH Hotel Group once again recognises its vision of placing sustainability as a strategic value of the corporation, which has acted as a lever of transversal value for the Group for over a decade.

A demonstration of its commitment to gender equality, NH Hotel Group, for the second year running, was included on the Bloomberg GEI 2021 index, being the only Spanish hotelier in the 380 companies listed in the index.

NH Response

The NH Hotel Group is firmly committed to creating a positive impact where it operates, irrespective of the circumstances in which it finds itself. Due to the exceptional situation the Company finds itself in because of the impact of Covid-19, from the outset of the pandemic the Company identified a series of initiatives to help governments and health authorities and social organisations deal with the crisis.

In this regard, NH Hotel Group made hotels available to authorities so that they could be used to manage 3,373 patients and thereby help to alleviate hospitals. Hotels were also designated as special accommodation for 2,720 health professionals.

Due to the closure of the hotels, it was decided to donate food and staple goods to associations and foundations that NH Hotel Group has collaborated with in the past. Therefore, about 12,400 kg of food from the hotels closed were donated to food banks and soup kitchens, as well as 30,000 amenities kits, 7,000 gloves, 6,000 shower caps, 2,000 rubbish bags, 55 beds and 600 blankets to health centres.

The company joined the #chefsforspain movement launched by chef José Andrés to deliver two million meals through its World Central Kitchen initiative. The NH Hotel Group took part with the kitchens of the Anantara Villa Padierna (Marbella), NH Collection Eurobuilding (Madrid) and NH Collection Finisterre (A Coruña) hotels, where 138,759 meals were cooked to donate to the most vulnerable groups during the crisis.

Currently, the commitment to donating meals continues to run, raising 5,600 meals through the NH Runners initiative: 1km = 1 meal during the "Together with Love" corporate volunteering week.

Human Resources Strategy

Throughout 2020, NH Hotel Group had to act to alleviate the severe consequences of Covid-19 on its business and profits. With this aim, the Company, always with the purpose of protecting employment in the long term as far as possible, launched a contingency plan to temporarily reduce its staff and, as a result, adjust its personnel costs to the reality of the business, with contract suspensions, reductions in working days and other temporary measures taken in accordance with employment legislation in each country.

As part of the NH Hotel Group's Contingency Plan to adapt its operations and ensure business viability, the Company carried out temporary lay-offs and reductions in hours and wages in hotels and central offices due to force majeure or production reasons subject to different closure mandates.

62% of staff, at all levels, were affected by one of these measures. Men and women were equally affected. Even in such an adverse context, NH Hotel Group has sustained its corporate culture and commitment to its values, seeking coherence and fidelity in its current People strategy, convinced that it is what is needed to gain the credibility and trust of its team members, who are the Company's greatest asset.

The initial aim during 2020 was to consolidate key policies and projects within the Company's Human Resources Strategic Plan. However, the Covid-19 crisis involved an about turn for all the planned projects. Throughout the year NH Hotel Group still maintained the focus on its strategic pillars, but rethinking each action and initiative to give them sense and use within the complicated individual, social and corporate context that the pandemic involves:

- Global leadership and talent management: Continue promoting and transmitting leadership within the NH Hotel Group, focusing efforts and investment on internal talent that has the potential to make a difference in the Company's strategy and to become models of our culture.

- Maximum performance and better workplaces: All employees are encouraged to develop and do their best, where high performance is differentiated, recognised and rewarded. Making our employees our best brand ambassadors.

- Transformation and reinvention: Searching for, assessing and leveraging opportunities to be more efficient (outsourcing, digitisation, etc.), evolving our working environment and acquiring advanced analytical and predictive skills.

With this working framework, NH Hotel Group launched a multitude of initiatives to care for its employees in these challenging times. “With You” stands out among them. It is an internal engagement project designed to give the teams tools, advice and training resources to use to strengthen key skills during this phase, not just at professional level, but also to improve their personal well-being. Using “With You”, and amongst other actions, NH employees have received content aimed at stress management, have accessed digital kiosks free-of-charge,

have had language classes within reach, have been able to collect office material to improve their remote working experience, and have had access to two external, international e-learning platforms: Typsy and GoodHabitz. Both platforms include multiple training resources so that each employee can work on their personal development plan, gain new knowledge and, ultimately, continue investing in their professional growth.

The average number of people employed by the Parent Company and consolidated companies in 2020 is 11,112 employees. The corporate culture of the NH Hotel is also based on the cornerstones of diversity, equality and inclusion. Therefore, employees are 132 different nationalities and, at 31 December 2020, 51% of all staff were women.

Also, the average age of employees in 2020 was 39.7 years old, and their average time with the company is 9.4 years.

Finally, as part of the Company's recovery strategy, Feel Safe at NH is a set of health and safety protocols, certified by safety experts, and implemented in all hotels to guarantee health, safety and social distancing for both guests and team members. Due to the involvement of Hotel Managers and Heads of Department, this situation moved forward and it was ensured that employees took on, followed and implemented the new Health and Safety standards in the hotels in all operations.

Environmental sustainability

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

The Company's environmental strategy is driven by NH ROOM4 Planet, which defines the roadmap for complying with the commitments acquired in the fight against climate change and progress towards decarbonisation, efficient management and responsible consumption of resources and the circular economy, and developing more sustainable products, but also involving employees, suppliers, shareholders and customers as key players in achieving them.

In order to formalise the extension of these commitments to the entire operation and NH Hotel Group's decision making process, in 2020, at a meeting of the Board of Directors held on 29 July, the new Environmental and Energy Policy was approved.

At NH Hotel Group the fight against climate change is a fundamental strategic value. This is way the Company was the first Spanish hotelier to establish targets for reducing emissions, scientifically validated by the Science Based Targets initiative (SBTi) last year. Therefore, NH Hotel Group formalised its commitment to reduce its carbon emissions by 20% throughout its value chain up to 2030, preventing the emission of more than 70,000 tonnes of CO2 into the atmosphere. This objective marks NH Hotel Group's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement, and join the efforts that are being made globally towards the transition to a low carbon economy.

NH Hotel Group hotels have and ISO 14001 environmental management system and an ISO 50001 energy efficiency system, certified for accommodation, catering, meetings and events services. At the close of 2020, 47% of the hotels in Germany, Spain and Italy already had ISO 14001 or ISO 50001 certification. There are group hotels that also have other environmental certifications, such as: BREEAM, LEED, Green Key, Hoteles+Verdes. The aim is to have an increasingly large number of hotels with globally recognised environmental certifications that are specific to the tourism sector and approved by the Global Sustainable Tourism Council, the most important body of reference.

The exceptional and irregular operating conditions of the hotels since March and throughout the rest of the year do not reflect the continuity of the environmental achievements achieved since 2007. In absolute terms, the carbon footprint and energy consumption have reduced by 37% compared to 2019 and water extraction by 52%.

NH Hotel Group remains committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 100% of our hotels that are consolidated in Spain, Italy, the Netherlands, France and Luxembourg, covering 64% of the total electricity consumed in Europe.

SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of 2020 comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2020 and 2019 were as follows:

	2020	**2019**
Minor International Public Company Limited ("MINT")	94,13%	94,13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

The average share price of NH Hotel Group, S.A. in 2020 was 3.58 euros per share (4.57 euros in 2019). The lowest share price of 2.10 euros per share (3.89 euros in January 2019) was recorded in October and the highest share price of 5.34 euros per share in January (5.28 euros in March 2019). The market capitalisation of the Group at the close of 2020 stood at 1,349.10 million euros.

At 31 December 2020, the Group had 103,947 own shares, compared to 374,464 own shares at 31 December 2019. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 December 2020 is 103,947 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The negative effect recorded in reserves for operations carried out in the 2020 financial year was 245 thousand euros.

- In the 2020 financial year, the first cycle of the second long-term incentive plan was settled (Note 25). For the settlement of this second cycle a purchase of 110,350 treasury shares was made. The second cycle was settled by the delivery of 401,638 shares. The total impact recorded in equity due to these movements was 1,525 thousand euros.

Liquidity contract for treasury shares management

On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

This contract is in accordance with the liquidity contract model in Circular 1/2017 of 26 April from the National Securities Market Commission on liquidity contracts for the purpose of its acceptance as a market practice.

The total number of shares allocated to the securities account associated with the new Liquidity Contract is 103,947 shares and the amount allocated to the cash account is 400,000 euros.

The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

Average period for payment

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

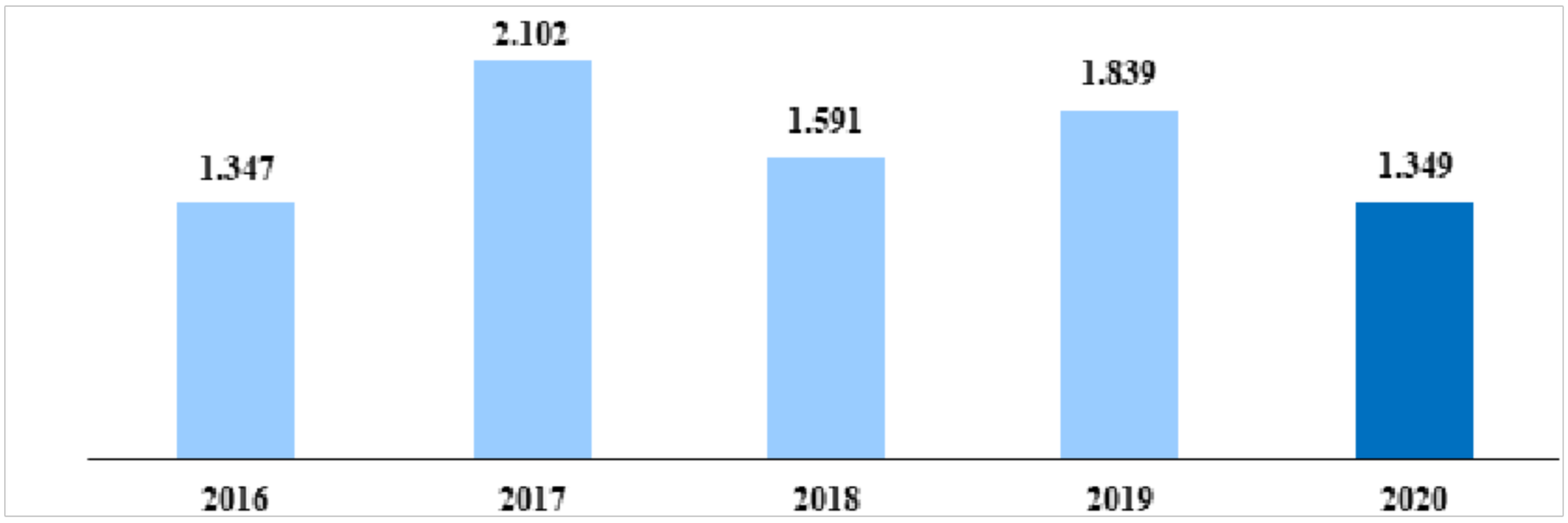
	2020	2019
	Days	
Average period for payment to suppliers	**82**	**63**
Ratio of paid transactions	82	63
Ratio of transactions pending payment	96	53
	Amount (Thousand euros)	
Total payments made	194,915	308.812
Total payments pending	10,226	13.732

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the consolidated balance sheet.

The average period for payment to suppliers has been calculated, as stated in the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, using the weighted average of the two ratios explained below:

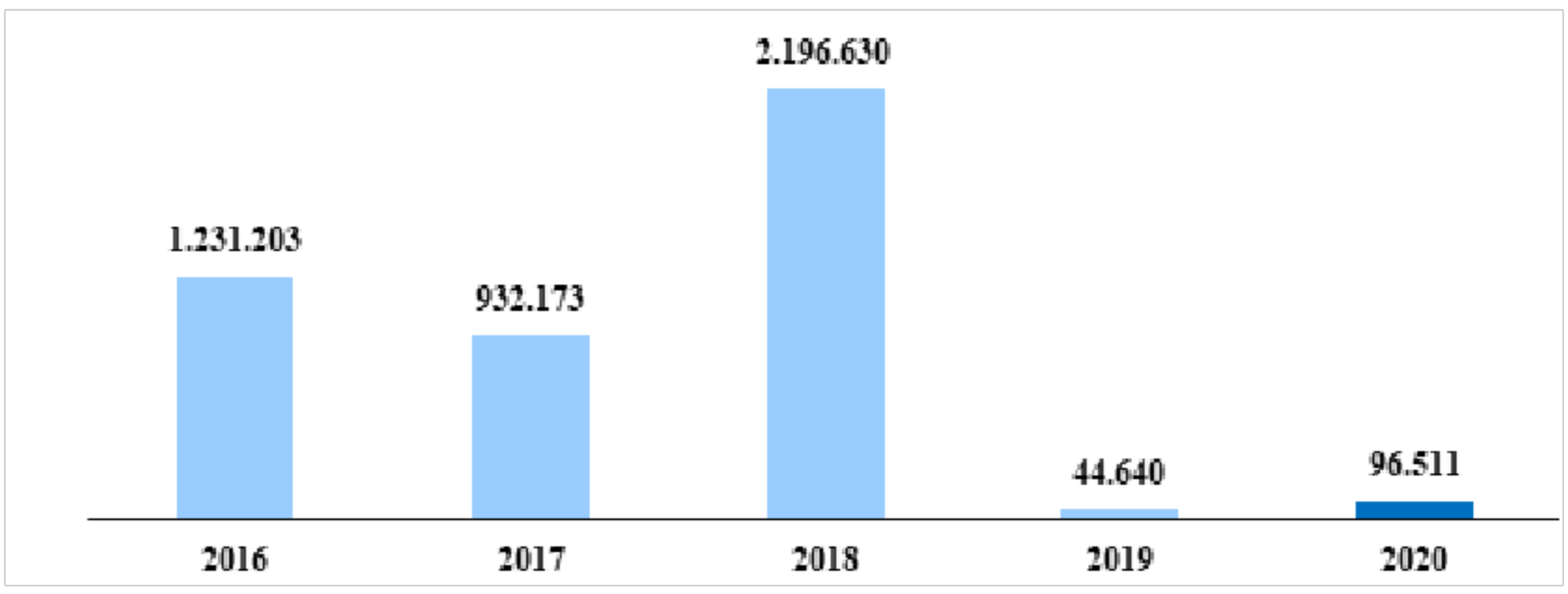
- Ratio of paid transactions: average payment period of transactions paid in each year weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

CAPITALISATION (at the end of each year in millions of euros)



During 2020, 24,706,896 shares in NH Hotel Group, S.A. were traded on the Continuous Market (11,383,314 shares in 2019) with average daily share trading on the Continuous Market of 96,511 shares (44,640 shares in 2019).

AVERAGE DAILY TRADING (in shares)



EVOLUTION NH HOTEL GROUP vs. IBEX 35
1 JANUARY 2016-31 DECEMBER 2020



FUTURE OUTLOOK

Covid-19 has paralysed the world and tourism is one of the most affected economic sectors. In several regions of the world, borders remain closed to tourism and the Covid-19 pandemic continues to spread. The cost to human life, economic losses and social impact continue to increase. Even when the worst seems to be over, the threat of further outbreaks is ever present.

The Covid-19 pandemic impacted economic activity more negatively than expected in 2020 and, according to estimates, the recovery will be more gradual than previously predicted. The latest projections from the International Monetary Fund (IMF; World Economic Outlook) for January suggest an unprecedented decline in global activity due to the Covid-19 pandemic, and point to a fall in global economic growth of -3.5% in 2020.

The recent approval of vaccines has nurtured the hope that the pandemic reaches a turning point later in the year, but the new waves and strains of the virus create concerns about the outlook. In the middle of this exceptional uncertainty, it is projected that the global economy will grow by 5.5% in 2021 and 4.2% in 2022. The projections for 2021 had been revised up by 0.3 percentage points compared to the previous forecast, in the light of the expectations that business with strengthen later in the year due to the vaccines and the additional back up of the policies of some large economies.

The latest survey amongst the UNWTO's group of experts shows different forecasts for 2021: almost half of those surveyed forecast a better panorama in 2021 than in 2020. The general forecasts of an upturn in 2021 seem to have worsened compared to the previous survey.

The UNWTO’s group of experts forecast an increase in demand for domestic tourism and “slow travel” experiences. In the longer term, the majority of the experts do not foresee a return to 2019 levels before 2023. The UNWTO extended scenarios for 2021-2024 indicate that international tourism could take between two and a half and four years to return to 2019 levels.

Non-financial Information Statement

The 2020 consolidated Non-Financial Information Statement, issued by the Board of Directors on 24 February 2021, contains all the non-financial information required by Law 11/2018 of 28 December 2018. This document is presented as a separate report, is part of this Consolidated Management Report and is available on the corporate website of the NH Group (https://www.nh-hoteles.es/corporate), within the section on Annual reports included in financial information in the shareholders and investors section and as an appendix of this document.

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Annual corporate governance report

The company's Annual Corporate Governance Report, issued pursuant to the provisions of Article 49.4 of the Spanish Code of Commerce can be found from the listing date of this annual report in the NH Group's corporate web (https://www.nh-hoteles.es/corporate/en) and in the CNMV website (www.cnmv.es).

EVENTS AFTER THE REPORTING PERIOD

On 12 February 2021, the Group informed the workers of its central and corporate services in Spain of its intention to begin collective redundancies. The documentation that will make up the corresponding file will be transferred in a timely manner to both the labour authority and to the Committees that are set up for the negotiations. The conditions and the number of those affected will be subject to negotiation. All of this happens in accordance with the provisions of Article 51 of Royal Legislative Decree 2/2015, of 23 October which approves the Consolidated Text of the Workers' Statute Law and Royal Decree 1483/2012, of 29 October that approves the Regulations for the Procedures for Collective Redundancy and Suspension of Contracts and Reduction of Working Hours.

CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT 2020

Sustainable Business Report

NH ROOM 4
Sustainable Business

NH Room4 a better world

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OUR PRESENCE IN THE WORLD 2020



361	29	55,371	12,850*	33
HOTELS	COUNTRIES	ROOMS	EMPLOYEES	MILLION GUESTS

Andorra • Argentina • Austria • Belgium • Brazil • Chile • Colombia
Cuba • Czech Republic • Ecuador • France • Germany • Haiti • Hungary
Ireland • Italy • Luxembourg • Mexico • Netherlands • Poland • Portugal • Romania • Slovakia •
Spain • Switzerland • Tunisia
United Kingdom • USA • Uruguay

Figures as of 31.12.2020
Including hotels operated under management agreements, leased, owned and franchise.
* Does not include franchise.

BU AMERICA	BUNE	BUSE
Argentina, Brazil, Chile, Colombia, Cuba, Ecuador, Haiti, Mexico and Uruguay	*Austria, Belgium, Czech Republic, Germany, Hungary, Ireland, Luxembourg, Netherlands, Poland, Romania, Slovakia, Switzerland and United Kingdom*	*Andorra, France, Italy, Portugal, Spain, Tunisia and USA*
56 hotels	**126** hotels	**179** hotels
7,517 rooms	**23,497** rooms	**24,357** rooms
9 countries	**13** countries	**7** countries

ABOUT THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

This Consolidated Non-Financial Information Statement (hereinafter NFIS or "the Report") is presented as a separate report and constitutes part of the NH Hotel Group's Consolidated Management Report 2020. It deals extensively with the Company's Responsible Business Strategy, NH ROOM4 Sustainable Business, concentrating in a single document:

- The Company's response to the legal requirements of Act 11/2018, of December 28th, 2018, concerning non-financial and diversity reporting, as well as EU directive 2017/C215/01 for reporting its performance in relation to non-financial information.
- The Sustainable Business Report, which follows the standards of the Global Reporting Initiative (GRI).

The NFIS has been drawn up by the Board of Directors of NH Hotel Group on February 24th, 2021, and was signed by all its members, with the specifications resulting from the Directors' Statement of Responsibility for the purposes of the provisions of article 118.2 of Royal Legislative Decree 4/2015 of October 23rd, which approves the revised text of the Securities Market Act), in which the delegation made by some Directors of their respective signatures to other Directors is recorded.

This Report and the previous CSR Reports are published in digital format and are available at www.nhhotelgroup.com

CONTENTS

The definition of the contents of the Report is based on matters that are relevant for the activity of NH Hotel Group and its main stakeholders, based on the Materiality Analysis which is updated each year. The Group has different systems for dialoguing with its stakeholders, which are a source of analysis in defining the relevant content to be included in the report. T.
The results of this communication make it possible to keep the mechanisms for identifying needs active, as well as the most relevant aspects to be included in the Report, in addition to the follow-up of commitments and compliance with the challenges set out in the previous year.

To carry out the Materiality Analysis, the following items are taken into account: the Company's strategy and objectives, the NH ROOM4 strategy, the material issues at sector level defined by the Sustainable Hospitality Alliance, the main social and sustainability trends, and the requirements of different reporting and sustainability frameworks, such as the Global Reporting Initiative (GRI) and Act 11/2018 on Non-Financial and Diversity Reporting, which responds to Directive 2014/95/EU of the European Parliament[1]. The complete Materiality Analysis can be consulted in the corresponding section of this Report.

[1] European Union. Directive 2014/95/EU of the European Parliament and of the Council of October 22nd, 2014, which amends Directive 2013/34/EU regarding disclosure of non-financial and diversity information by certain large companies and groups.

SCOPE

This Report sets out the fifteenth Annual Sustainable Business Report of NH Hotel Group. It includes the Group's activity and main results for the financial year 2020, integrating economic, environmental and social performance.

The Report shows NH Hotel Group's management of the impacts, both positive and negative, that the Company generates, and its scope therefore contemplates two perimeters: consolidated scope (owned and leased hotels) and corporate scope (hotels under ownership, management and lease). It therefore includes information on all the hotels operated by the Company, in other words, hotels operated under lease, ownership and management. The eight hotels that have entered the portfolio in October 2020 following the agreement with Covivio are not included in the scope of the environmental and employee data of this Report.

In the case of information referring to the workforce, full-time equivalent (FTE) figures are included for all types of employees (except Outside Labour, Extra Labour and Trainees) considering hotels under ownership, lease, and management based on the data in NH Hotel Group's ERP SAP HCM management system.

Where the scope of information varies from these criteria, a footnote is provided.

GEOGRAPHIC PRESENCE OF NH HOTEL GROUP IN 2020

	Consolidated perimeter (owned and leased hotels)	Corporate perimeter* (hotels under ownership, lease and management)
Number of hotels in the world	306	353
Number of countries in which NH Hotel Group has activity	23	28
Number of rooms	47,827	54,708
Employees	11,112	12,850

*** Does not include franchises**

CHAIRMAN AND CEO'S MESSAGE

CHAIRMAN'S MESSAGE

Dear stakeholders,

We have just left a year in which the pandemic cancelled tourism for several months in practically the whole world. The health crisis has brought pain and suffering to many families who have had to bear the disease and the loss of loved ones in the most adverse circumstances. On behalf of the Board of Directors of NH Hotel Group, I would like to pay heartfelt homage to all those affected and convey our sympathy and best wishes to their families.

Of all economic sectors, tourism has been most affected by COVID-19. World tourism had its worst year on record in 2020, with a 74% drop in international arrivals and one billion fewer international arrivals than in the previous year, according to data from the World Tourism Organization. Despite a brief rebound in the summer, international arrivals in Europe fell by 70% over the year, and in the Americas by 69%. Activity in Spain also dropped to the bare minimum. According to the National Statistics Institute, last year 19 million foreigners traveled to Spain, which represents a drop of 77.3%. In the whole year only 1.4 million foreigners came to Spain on professional and business trips, down 74.9% from the previous year. With these sharp drops, total foreign tourist spending in the year totaled just 19.74 billion euros, one fifth of the normal figure.

Such a drastic and prolonged shutdown in such a strategic sector has been a real catastrophe. The businesses in the sector have had to give the best of ourselves to resist and ensure viability; firstly, the corporate viability and that of our professionals, and then that of an entire sector that is essential to the model of life and sustainable development of our country. Until now, the public aid provided has been insufficient, although the option assigned to Spain in the European Reconstruction Plan, named Next Generation EU, represents a historic opportunity for the Spanish economy, and especially for its tourism sector, which cannot be squandered.

Ambitious and transformative policies are needed to face the main structural challenges that have been affecting the competitiveness of the tourism sector for years. At the same time, they should be aligned with the great global challenges of digitalization and climate change. It is necessary to design a cross-cutting strategy for the transformation and gradual repositioning of the country's tourism towards a de-seasonalized model, much more qualitative and based on a new governance of public-private collaboration. The desired goal should be to guarantee sustainable growth that ensures the greatest social and economic profitability, public support and the lowest environmental impact.

While these opportunities are being specified, the sector has sought to reinvent itself. In such a difficult context, to the extent of their possibilities and showing tireless responsibility, hotel professionals have made every effort to continue providing an attentive, safe and tremendously human service. In our hotels we have welcomed patients and health professionals during the worst moments of lockdown. We have activated hygiene protocols, safety systems and personal distancing in record time. While individualized service has always been important in our corporate culture, in 2020 we have also developed our more social profile in a specific and very

committed way, undertaking charitable initiatives and providing support to the specific needs of the different public administrations.

For example, we have taken advantage of the closed kitchens of the NH Collection Eurobuilding and Anantara Villa Padierna hotels, two of our most emblematic assets, to collaborate in charity projects such as the World Central Kitchen, promoted by chef José Andrés. In them, we prepared part of the twenty thousand meals that were distributed every day to the most vulnerable families during lockdown. At the same time, our Group has implemented innovative solutions to redefine the guest experience while assuring maximum safety. Through Feel Safe at NH, we have redefined our health protocols to offer our guests a safe place and a unique experience capable of restoring their enthusiasm and desire to travel. We also completed pilot programmes to perform antigen tests on our premises for guests and staff as part of the Covid Safe Environment project.

During the year, the exceptional situation generated by the pandemic has forced the Board of Directors of NH Hotel Group to protect the safety of employees and guests as much as possible and stress the principles of good governance and social responsibility. We have supervised the shielding of the Company's liquidity and viability, because these two attributes condense the mandatory commitment of any Board towards its different stakeholders. Based on this mandate, in April 2020 it was agreed that the proposed distribution of a gross dividend of 0.15 euros per share would be cancelled and that the 90 million euros obtained as consolidated profit in 2019 would be maintained as legal and voluntary reserves. This was a measure that was as necessary as it was urgent in order to preserve cash in the most uncertain situation of the lockdown.

The task of the Board and its Committees has focused more on financial oversight and risk analysis, taking the utmost care at all times to respect good practice and the best corporate governance standards. The pertinent appointments were also completed: the renewal of Ramón Aragonés as CEO, ratified at the Annual General Meeting, and the appointment by co-optation of Rufino Pérez as a new Executive Director, following the required favourable report by the Nominations, Remuneration and Corporate Governance Committee. We have assumed control and supervision of management objectives and budgets, the financial and investment policy, decision on dividends and corporate social responsibility, in coordination and alignment with the management team and all the Group's professionals. In the face of such adverse conditions, commitment, collaboration, and dedication have been more necessary than ever, and have presided over the work of the entire organization day after day without respite.

We have also stayed true to the Company's guiding principles of environmental commitment and to gender equality. We have been included again in the Bloomberg Gender Equality Index 2021, with top scores in women's leadership and talent pool, equal pay and gender parity, and anti-sexual harassment policies.

It is worth noting that the sustainable investment agency SAM, recently acquired by S&P Global, has recognized us as one of the three most sustainable hotel chains in the world. The commitments in this area and the improvement we have shown this year have led us to obtain the Bronze Class award in the Sustainability Yearbook 2021, as well as the recognition of "Industry Mover", thanks to the improvement in our assessment compared to the previous year.

In what has probably been the most complex year of its history, this brief overview of the Company's governance activity proves that we have not let our guard down for a single day. The Board has been and will be firmly committed to assuring the best future for its professionals, shareholders and customers. A future that, logically, involves guaranteeing corporate viability and the best positioning of our brands. Ours is a sector in permanent movement. Right now, it is defining a profound change in both leisure tourism and in the business, conventions and events segment. Rest assured that, with the effort and collaboration of all of us, NH Hotel Group will once again be a relevant player in the increasingly imminent rebirth of tourism.

On behalf of the Board of Directors of NH Hotel Group, thank you very much.

Alfredo Fernández Agras
Chairman NH Hotel Group

CEO'S MESSAGE

Dear stakeholders,

In 2020, NH professionals have once again demonstrated an extraordinary capacity for commitment, dedication, responsibility and efficiency. This is not the first time we have gone through exceptional situations. Ten years ago, following the severe worldwide economic crisis, we had to reinvent ourselves in the most adverse context. Year by year, with everyone's efforts, we managed to turn that catharsis into a success story, completing an ambitious strategic plan, consolidating our positions as leaders and posting the best results in our history. Then came the worst worldwide health crisis in the last hundred years and it has left the entire tourism sector on the brink of disaster. From the very first day though, our entire organisation has been doing its best to reinvent itself. We have not given up and we never will until we return NH to the privileged future and to the brand recognition that has made us identifiable and appreciated in the market.

I sincerely believe that our Group has risen to the challenge. COVID-19 and its successive waves have constituted a devastating worldwide tragedy that has affected us all. On behalf of NH Hotel Group, I would like to convey our sympathy to all those who have suffered the illness or loss of loved ones during this time. Life has changed for all of us very quickly over these months. Health safety, hygienic measures and personal distancing have been embedded in our routines. Going forward, they will be vital in our everyday life, also in tourism. Many times, history has evolved as a result of the coordinated response to a hitherto unseen problem. In all crises, we have tried to preserve the social and cultural traits that best define our lifestyle. I believe that tourism is one of these great values, and that we will only recover normality when we can travel again as we continue to dream of doing.

We in the management team of NH Hotel Group, have resolved to keep the Company in the best conditions for when that time comes. Assuring corporate viability has been and will continue to be the main goal and I believe we have taken the right steps to achieve it. Even so, this has been an extremely difficult year, and today the situation is still very complicated despite the hope that the vaccines offer us. The strict lockdown and successive restrictions forced us to implement immediate measures with a twofold objective: preserving corporate liquidity and at the same time strengthening our customers' confidence. Our entire organization rallied to preserve the health of guests and employees. Almost immediately, we offered safe environments in which we could continue to offer a service that exceeds guests' expectations. In a few weeks, we managed to redefine the guest experience. We have taken responsibility for each moment of their stay; from the time they access our website and consider booking until their stay is over and they leave the hotel.

As soon as we learned of the worldwide health crisis, our Group also started to apply an exhaustive Contingency Plan to adapt the business and assure its sustainability. We focused on minimizing costs and preserving liquidity, with such urgent and painful measures as adapting the workforce to a minimal market, with temporary employment contract suspensions aligned with the measures introduced by the different Administrations. We have also reduced marketing expenses to a minimum, renegotiated rents and improved conditions with suppliers. We have reduced overall operating expenses to less than half, and halved total costs, including rent. In this way, we have been able to preserve our cash strength month after month. In the second quarter, in the midst of

a generalized confinement in the markets where we operate, the monthly cash outflow reached 55 million euros. In this way we have managed to preserve our solid cash position. At the end of the year, available liquidity remained above 345 million euros.

Furthermore, to preserve and strengthen liquidity, the available credit lines were drawn down at the beginning of the year in the amount of 275 million euros. In May, a new syndicated loan of 250 million euros with ICO guarantee and a 3-year term was agreed. In October 2020, the Company entered into an agreement with Spanish and international lenders to extend the syndicated revolving credit facility, or RCF, for 236 million euros, originally maturing in 2021, until 2023, as well as waiving the measurement of financial covenants until December 2021 for both the RCF facility and the ICO loan. This means that the Group will not have to deal with any relevant debt repayments until 2023. Until then, we will maintain our firm strategy of preserving liquidity on the one hand and the Group's significant competitive advantages on the other, both of which will be leveraged as soon as the new normality is consolidated. Each quarter that we overcome in under such adverse conditions brings us one step closer to this goal.

In fact, in the third quarter of 2020 we managed to reopen up to three quarters of our portfolio. We were then able to attract domestic demand in the European countries where we operate. We increased revenues almost fivefold compared to a second quarter at record low levels. Furthermore, we managed to achieve something that is, if anything, even more important: consolidate a very flexible structure, where every reopened hotel is able to achieve operational balance even with very low demand. It has been an important differentiating factor. It gives us strength, makes us very adaptable and resistant to such a volatile demand as the current one, and safeguards the differential character and efficiency of our offer for when the definitive reactivation of the sector arrives.

The excellent prior work carried out on innovation and technology has proved decisive in all these achievements. Going forward, technology and digitalisation will be as essential to what a hotel has to offer as its location or the quality of the rooms. The travel experience now always involves using a cell phone to personalise each stay. Alongside this, we have modified our restaurant service, without compromising the importance of gastronomy as an essential part of the guest experience. We will continue offering the best catalogue, with full confidence in our Michelin stars, and our cocktail and terrace services. The progress made through the combined strategy of profiting from the hotels opened, protecting liquidity and deferring debt maturities will also allow the Group to maintain the current structure of its portfolio, except for the periodic asset rotation that may occur, as is the usual practice year after year among large companies in the sector.

They say that every destination is just the beginning of the next stage. We have experienced this first-hand. It is true that the favourable evolution and financial strength achieved between 2016 and 2019 have made things easier for us, but even so, the challenge is still huge. The timely operational and financial transformation completed in previous years, together with the measures

taken, will enable the Group to withstand the current environment and overcome the situation in the best possible conditions. That is where the resilience, commitment and dedication of NH's professionals comes in, the key to ensuring that, when the pandemic is overcome, and it will be overcome, travellers who are considering their next trip will continue to visit our website and trust us to make their decision. I insist that we will only leave the crisis behind us when we can once

again fully enjoy our hotels. At NH Hotel Group, we are working to the maximum to be prepared and to continue providing the best service when that day, which is getting closer and closer, finally arrives

I would like to close this letter by highlighting our commitment to society and to the planet. Our future growth must be accompanied by a responsible management model that integrates all the areas of the Company and paves an irrevocable road towards an NH Hotel Group that is more sustainable, responsible, and respectful of the environment and the society in which we live. Additionally, as a member of the Spanish Network of the United Nations Global Compact, the Company is committed to continuing to show its contribution to the SDGs, focusing especially on those directly related to our activity through the different sections of the Report.

Thank you very much

Ramón Aragonés,
CEO NH Hotel Group

MANAGEMENT OF THE COVID-19 HEALTH CRISIS

Following the start of the COVID-19 pandemic in Europe towards mid- March, hotel demand has fallen drastically due to lockdowns, travel restrictions and social distancing, which have had a drastic effect on mobility.

During the months of restrictions, isolation and strict lockdown from March to the end of May, around 95% of our hotels were closed and those that stayed open did so for charitable purposes. As a result, the second quarter of the year was the most severely affected quarter with an extraordinary low level of demand.

The gradual reopening of hotels started at the end of May and was done progressively in line with the recovery of demand and with the focus on optimising profitability. In June close to 60% of the hotel portfolio was open, 70% in July and almost 80% at the end of August and September.

The agile reopening of hotels from June onwards, following the closure of the portfolio in the month of March due to the strict lockdown measures, allowed the Company to capture the demand from domestic guests in the third quarter. This reopening, despite the low level of demand due to mobility restrictions was possible thanks to the flexible cost structure.

As a result of the impact of the second wave of the epidemic in Europe at the end of the third quarter, the additional reopenings planned for the closing months of 2020 were delayed, and some hotels had to be closed again so at the end of December 2020, around 60% of the portfolio was open. The impact of this second wave and the stricter restrictions on mobility during the last months of the year have resulted in a lower level of activity compared to the third quarter.

Despite the low demand, the commercial strength and the flexible operational and financial structure of the Group has allowed it to overcome the major challenges of 2020. And although these challenges are still present in the first months of 2021, the Group will benefit from its brand recognition, excellent locations and strong market positioning once recovery in Europe.

Contingency Plan

As a consequence of the exceptional circumstances taking place due to the global pandemic (COVID-19) which is affecting all the countries where NH Group is present, the Group implemented a number of different measures and plans to adapt its business and assure its sustainability with the aim of minimizing costs during hotel closures, preserving liquidity to cover operational needs and ensuring an efficient reactivation of the hotel activity based on the premise of maximum guarantees with regards to health and safety.

Given the lack of visibility as to the speed of the recovery of the business, the following cost disciplinary and control measures were implemented, and continue in place, to ensure the minimization of operational expenses and the preservation of liquidity:

- Personnel: The Group carried out adjustments, suspensions and temporary reductions in working hours and salary both at hotels and central offices based on causes of force majeure or production reasons. These processes have continued during the second half of 2020 to reduce the workforce on a temporary basis and will be extended during the first part of 2021 in several countries. More information is provided in the Chapter NH ROOM4 People: Employees.

- Operational costs:
  - Negotiations with suppliers to reduce procurement costs, seek alternative products with a lower price and improve payment terms.
  - Suspension, since the beginning of March, of all travel by Group personnel.
  - Suspension of non-priority third-party advisory services.
  - Significant reduction in marketing and advertising costs despite the need to incentivize revenues.

  Leases: Temporary reduction of fixed leases since the second quarter based on the health crisis environment and on the restrictions approved by all governments and their corresponding impact on essential elements of the business such as mobility, trade fairs and congresses, meetings, etc. These negotiations continue for the first half of 2021.

- CapEx: A major part of the investments were paused, except those required by law or that were at a very advanced stage. Execution of Capex 2020 (maintenance, refurbishments, systems and new openings) was reduced by about €100M, 50% down compared to the original plan for 2020.

- Withdrawal of the proposed 2019 gross dividend of €0.15 per share, which would have involved an estimated pay-out of around €59M euros.

The recovery of demand will take place once the spread of the moderates and vaccination of the population is extended. The Group will then take advantage of its strong market positioning in European countries with excellent locations and a high brand recognition, as well as the significant weight of domestic demand.

The recovery phase will be driven initially by domestic European leisure demand, as international mobility will continue to be low in the first phase. The business and corporate segment will take longer to recover due to the macroeconomic situation and social distancing which restrict the size of events.

COVID-19 has brought forward many of the strategic initiatives aimed at efficiency. In 2021, once the company has more visibility of the recovery in demand, the rest of the initiatives of a new strategic plan will be redefined.

Feel Safe at NH



In 2020, NH Hotel Group implemented in all its properties "**Feel Safe at NH**", a new plan of measures endorsed by experts to deal with the health crisis caused the SARS-CoV-2 coronavirus. In order to ensure the safety of guests and employees, NH has implemented different initiatives and adapted almost 700 standards, completely redesigning its guest experience cycle.

In drawing up this plan, NH Hotel Group has had the help of SGS (Société Générale de Surveillance), world leader in inspection, analysis and certification. Furthermore, we have followed the recommendations of the World Health Organization (WHO), the Center for Disease Control and Prevention (CDC), and those of the health authorities of each of the countries in which we operate.

To develop **"Feel Safe at NH",** the entire way our hotels operate has been reviewed, grouping the implemented initiatives under 10 lines of action that respond to our guests' needs in the new reality. The plan encompasses all the necessary aspects to allow our hotels to operate with maximum safety guarantees for guests and employees: from the cleaning and sanitization processes for each hotel space, to new digital solutions, protocols for managing F&B services, safety distancing regulations, personal protection protocols and equipment, and air and water purification control, among others.

Specifically, for our hotels in Spain, this package of measures has been adapted in order to comply with domestic legislation, resulting in a Contingency Plan drawn up by the NH Hotel Group Prevention Service. This adapted plan is based on the Spanish Tourism Quality Institute's *"Measures for the reduction of SARS CoV-2 coronavirus contagion"* (a unique health protocol against COVID-19 to prepare the reopening of the tourist sector in Spain); the *"Operating Procedure for Occupational Risk Prevention Services in relation to exposure to SARS CoV-2"* of the Ministry of Health, the Biological Risk Assessment carried out by NH Hotel Group's own Prevention Service, and on the specific Occupational Risk Prevention legislation that was already applicable before the current situation.

The Company has also set up a committee to manage the risk of COVID-19. Made up of the best experts in each area, its goal is to deal with the necessary adaptations and modifications, and to ensure the correct implementation of the plan in our hotels.

Furthermore, a health and safety officer has been appointed at each of our establishments. They are responsible for their hotel's compliance with the Contingency Plan and the "Feel Safe at NH" standards, and for centralizing, distributing and managing all the health and safety information related to COVID-19.

All our staff have been adequately trained in all duties and matters related to the risks deriving from the presence of COVID-19, including protection measures against such risks and the new standards and operating procedures included in the "Feel Safe at NH" protocol.

NH RESPONSE

Aware of the significant impact that COVID-19 is having throughout the world, NH Hotel Group managed to adapt to the "new" situation, knowing that hospitality and solidarity are more necessary than ever. A challenge that has been faced whilst guaranteeing the health and safety of all the members of the team and beneficiaries.

Due to the exceptional situation in which the Company finds itself, a series of initiatives were initially identified to help governments, health authorities and social organizations deal with the crisis.

In this sense, NH Hotel Group offered hotels to the authorities so that they could be medicalized to help relieve the strain on hospitals. In total, 3,373 patients were accommodated in the chosen NH properties. Hotels were also designated as special accommodation for 2,720 healthcare professionals.

Furthermore, the Company decided to donate the perishable food in stock at those hotels that had to close to associations and foundations with which we had collaborated on previous occasions, contributing with a total of 12,400 kg of food.

More information on the initiatives launched under NH Response can be found in the Chapter NH ROOM4 People: Community.

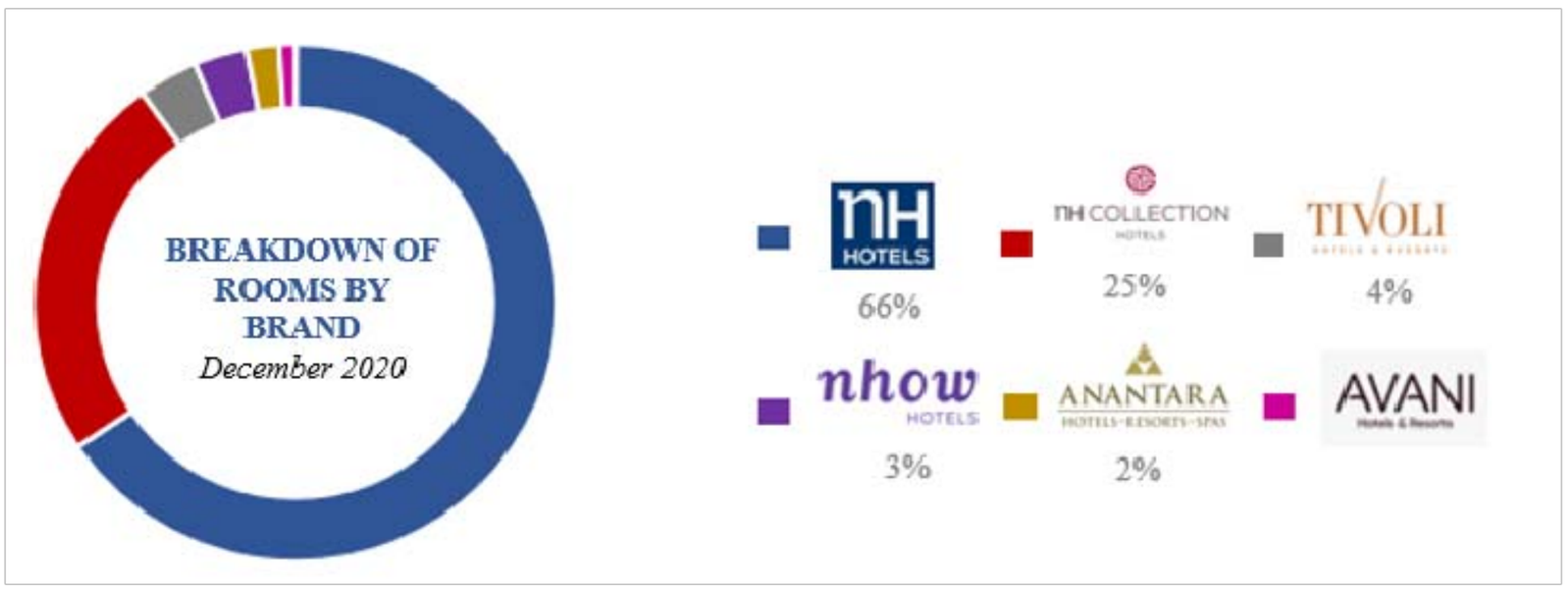
NH HOTEL GROUP BUSINESS MODEL

NH Hotel Group is a consolidated multinational operator and one of the leading urban hotels chains in the world. At the end of 2020, the Group was present in 29 countries, operating 361 hotels and 55,371 rooms in four continents (Europe, North and South America and Africa).

The centralized business model allows NH Hotel Group to offer its guests an excellent service in its hotels across the different regions and geographical areas where it does business. The corporate head office and regional offices offer the hotels a wide range of functions such as sales, revenue management, booking, marketing, human resources, financial management and systems development.

This flexible operational and financial structure has allowed the Group to overcome the significant challenges of 2020, despite the low level of demand. Although the challenges continue in the first few months of 2021, in the first phase of recovery the Group will benefit from the brand recognition, excellent locations and strong market positioning once the recovery in Europe is underway in the medium term.





BREAKDOWN OF THE PORTFOLIO

	TOTAL		LEASE		OWNED		MANAGED		FRANCHISE	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
NH Hotel Group	**361**	**55,371**	**232**	**35,701**	**73**	**11,920**	**48**	**7,087**	**8**	**663**
EUROPE	**303**	**47,519**	**210**	**33,049**	**51**	**8,835**	**34**	**4,972**	**8**	**663**
Spain	97	11,787	68	8,459	13	1,977	11	959	5	392
Italy	57	8,495	41	6,134	13	1,872	3	489		
Germany	54	10,046	49	9,046	5	1,000				
Netherlands	34	7,233	21	4,012	12	2,770	1	451		
Portugal	17	2,809	5	854			11	1,899	1	56
Belgium	13	2,265	6	1,197	7	1,068				
Austria	7	1,340	7	1,340						
France	5	871	4	721			1	150		
Czech Republic	4	733	1	152			3	581		
Hungary	3	483	3	483						
Switzerland	3	382	2	260					1	122
Romania	2	159	1	83			1	76		
United Kingdom	2	311	1	121			1	190		
Ireland	1	187	1	187						
Luxembourg	1	148			1	148				
Poland	1	93							1	93
Slovakia	1	117					1	117		
Andorra	1	60					1	60		
AMERICAS	**57**	**7,759**	**22**	**2,652**	**22**	**3,085**	**13**	**2,022**	**-**	**-**
Mexico	17	2,672	7	993	4	685	6	994		
Argentina	15	2,144			12	1,524	3	620		
Colombia	13	1,355	13	1,355						
Chile	5	583			4	498	1	85		
Cuba	2	251					2	251		
Brazil	1	180	1	180						
Ecuador	1	124	1	124						
Haiti	1	72					1	72		
Uruguay	1	136			1	136				
USA	1	242			1	242				
AFRICA	**1**	**93**	**-**	**-**	**-**	**-**	**1**	**93**	**-**	**-**
Tunisia	1	93					1	93		

Figures as of December 31st, 2020.

KEY FIGURES

Global economic and tourism context

During 2020, due to the economic crisis generated by the COVID-19 pandemic, world economy shrank by -3.5% compared to growth of +2.8% the previous year. (Data and estimates of the IMF's "World Economic Outlook" January 2021).

The world economy is starting to leave behind the minimal levels it fell to during the Great Lockdown of the month of April. But as the COVID-19 pandemic continues to spread, many countries have reduced the rate of reopening and some are once again introducing partial lockdowns to protect vulnerable population groups. Although the recovery in China has been faster than expected, the long road that the world economy must travel in order to return to pre-pandemic activity levels still has many obstacles.

Thus, the European Union's estimate for growth in worldwide economic activity in 2021 is +5.5%. More specifically, in the Eurozone the provisional growth rate for 2020 was -7.2% (+1.3% in 2019) and growth of +4.2% is forecast in 2021. The growth rates in the four countries that

make up the bulk of the Group's sales and results show negative growth in 2020: Spain (-11.1% in 2020 vs. +2.0% in 2019), Netherlands (-5.4% in 2020 vs. +1.7% in 2019), Germany (-5.4% in 2019 vs. +0.6% in 2019) and Italy (-9.2% in 2020 vs. +0.3% 2019). On the other hand, the fall in Latin America is expected to be -7.4% in 2020 (vs. +0.2% in 2019), as all the economies in the region have suffered the consequences generated by COVID-19. The uncertainty about health, mobility restrictions and economic policy, aggravated by moderate raw material prices, have led to a significant decline in economic activity in 2020 and have also affected the prospects of bouncing back quickly.

Global tourism recorded its worst year ever in 2020, with international arrivals falling by 74%, according to the latest data from the UN World Tourism Organization (UNWTO). Destinations around the world received one billion fewer international arrivals in 2020 than the previous year, due to an unprecedented slump in demand and widespread travel restrictions. By comparison, the decline during the global economic crisis in 2009 was 4%.

According to the latest UNWTO World Tourism Barometer, the slump in international travel represents an estimated loss of US$ 1.3 trillion in export earnings, more than eleven times the losses recorded during the global economic crisis of 2009.

Europe recorded a 70% decline in arrivals in 2020, despite a small and brief rebound in the summer of 2020. The region suffered the largest drop in absolute terms, with a decline of more than 500 million tourists in 2020. The Americas recorded a 69% drop in international arrivals, with slightly better results in the last quarter of the year.

Given the constant evolution of the pandemic, many countries have been reintroducing tighter travel restrictions since the beginning of the year 2021. Measures include mandatory testing, quarantines and, in some cases, complete border closures, all of which make it difficult to resume international travel. At the same time, it is hoped that the gradual arrival of vaccines against COVID-19 will help restore consumer confidence, ease travel restrictions and slowly bring travel back to normal during 2021.

Evolution of results

Turnover in 2020 totalled 536.2 million euros, showing a drop of -68.6% (+1.172 billion euros). The loss attributable to the Controlling Company was -437.2 million euros, compared to net income of 90.0 million in 2019. This fall is explained totally by the impact of COVID-19 on the business from the month of March onwards.

Gross borrowing during the year increased from 455.6 million euros in December 2019 to 998.1 million euros in December 2020. With regard to the situation of cash and cash equivalents, as of December 31st, 2020 it totalled 320.9 million euros (289.3 million euros as of December 31st, 2019). This liquidity was also supplemented with credit facilities at the year-end totalling 25.0 million euros, compared to 303.5 million euros as of December 31st, 2019, of which 250 million euros corresponded to the syndicated credit facility (drawn in full at the end of 2020).

Tax Information

The Tax Strategy for NH Hotel Group (available on https://www.nh-hoteles.es/corporate/es) was approved by the Board of Directors on July 27th, 2015, considering that one of the pillars underpinning the entire Group's business strategy should be avoiding or minimizing risks, including those tax related.

The strategy is based on complying with tax legislation in all the jurisdictions in which NH Hotel Group is present, applying an interpretation of such legislation that fundamentally has due regard for the spirit and purpose of the laws.

Guiding Principles of the Tax Strategy

- Compliance with tax legislation in all locations where we are present.
- Prevention and reduction of significant tax risks.
- Collaboration, loyalty and good faith with the Tax Administrations.
- Reporting to the Board of Directors on the main tax implications of operations.

Monitoring and Control

The Board of Directors, through the CEO and Senior Executives, drives the monitoring by the Group of the application of the principles and good practices concerning tax affairs.

Furthermore, the Board of Directors has the support of the Group's Audit and Control Committee, which must oversee the effectiveness of the tax risk management and control systems and periodically provide the pertinent information to the Board.

The Company monitors and tracks its tax policy in compliance with the mechanisms set out in the law, in its tax policy and in the control framework approved by the Board.

PROFITS OF NH HOTEL GROUP AND INCOME TAX PAID (THOUSAND EUROS), BY COUNTRY

Tax Jurisdiction	2020		2019	
	Income / (losses) before Corporate Income Tax	Corporate Income Tax (settlement basis)	Income / (losses) before Corporate Income Tax	Corporate Income Tax (settlement basis)
Argentina	(5,501)	968	4,689	3,469
Austria	(24,004)	-	860	2
Belgium	(20,102)	72	10,935	2,598
Brazil	(773)	3,86	(744)	2
Chile	(3,824)	436	(2,035)	1,382
Colombia	(6,324)	(1,042)	(2,975)	1,917
Czech Republic	(4.012)	5	(2)	7
Denmark	(1)	-	-	-
Dominican Republic	(587)	-	372	-
Ecuador	(241)	155	84	194
France	(7,367)	-	(2,387)	-
Germany	(105,020)	796	(8,077)	428
Hungary	(3,933)	2	825	91
Ireland	(1,890)	-	1,165	
Italy	(119,095)	516	47,047	24,146
Luxembourg	(9.651)	-	3,466	-
Mexico	(10,849)	342	6,089	2,412
Netherlands	(50,097)	(10,637)	36,823	10,427
Poland	(12)	-	(4)	-
Portugal	(7,534)	279	1,692	394
Romania	(329)	12	381	40
South Africa	(1,665)	-	1,335	25
Spain	(120,933)	256	38,136	8,337
Switzerland	(3,011)	-	393	4
United Kingdom	(1,348)	-	(78)	-
Uruguay	(961)	-	(629)	-
USA	(6,491)	2	(5,891)	83
Total	(55,555)	(7,834)	131,469	55,959

Income or losses before taxes and the taxes paid per country described above are affected, in some cases, by circumstances such as the sale of assets, the exit of hotels, early depreciation of assets due to repositioning or the situation of hyperinflation in the case of Argentina. It should also be noted that the corporate income tax shown in the above table is as calculated on a settlement basis.

MILESTONES 2020

JANUARY

- **Award given to FAST PASS:** NH Hotel Group has been appointed winner in the Digital Transformation category of the national phase of the CaixaBank Hotels & Tourism Awards 2019, The award recognizes the Company's digitalization process, working methods and strategies as well as the implementation of innovative technologies that generate a measurable impact on the business.

- **BLOOMBERG GENDER & EQUALITY Index:** In January 2020, NH Hotel Group is included for the first time in the Bloomberg Gender Equality Index 2020, being the only Spanish hotel company among the 325 corporations included in the index.

FEBRUARY

- **NH Hotel Group stock value rises after meeting its financial objectives for 2019:** The value of NH Hotel Group shares has increased by 10.58% after reporting that the financial objectives for 2019 have been met. This means that the Group has exceeded "the objective it committed to at the start of the year of reaching recurring income of 100 million euros in 2019".

MARCH

- **Anantara Villa Padierna joins The Leading Hotels of the World (LHW).** NH Hotel Group confirms that Anantara Villa Padierna (Marbella) has joined LHW, to which Tivoli Avenida Liberdade (Lisbon) and Tivoli Palacio de Seteais (Sintra) already belong. This reinforces the Company's intention to position Anantara as a luxury brand in Europe.

APRIL

- **The Company reacts to the health crisis:**
  - NH Hotel Group launches NH Response and makes hotels available to the authorities to be medicalized and to accommodate healthcare workers.
  - Launch of "Feel Safe at NH": for the purpose of continuing to offer unforgettable experiences at our hotels, guaranteeing the health and safety of our guests and team members, NH Hotel Group launched a global set of health and safety protocols under the concept "Feel Safe at NH".

- **NH Hotel Group joins chef José Andrés' #chefsforspain movement:** NH Hotel Group joins the World Central Kitchen's initiative; whose goal is to deliver more than 2 million meals. NH Hotel Group participated by making available the kitchens of the hotels Anantara Villa Padierna (Marbella), NH Collection Eurobuilding (Madrid) and NH Collection Finisterre (A Coruña) where 138,759 meals were cooked to be donated to the most vulnerable groups during the crisis.

MAY

- **NH Hotel Group, one of the strongest hotel brands in the world:** NH Hotel Group is one of the most valuable hotels brands in Spain according to the latest Top 50 Brands report by Brand Finance. The Company holds its position in 27th place and is the 5th strongest hotel brand in the world.

- **NH Hotel Group strengthens its liquidity with the signing of a syndicated loan of 250 million euros:** The agreement, reached within the legal framework established by the Spanish government to mitigate the economic impact of COVID-19, has been

guaranteed by the Spanish Official Credit Institute (ICO) to finance the operational needs of the Company.

JUNE

- **NH Hotel Group starts to reopen hotels:** After being closed for several months, NH Hotel Group starts to open its hotels in all the territories where it operates.

JULY

- **Approval of the Human Rights Policy and update of the Environmental Policy:** The Board of Directors of NH Hotel Group approves the Human Rights Policy, and the renewal of the Environmental and Energy Policy. This milestone is part of the Company's commitment to improve its sustainable performance and of the latest Corporate Governance recommendations which insist on reinforcing policies such as CSR, Human Rights, Environment.

- **Appointment on the Management Committee**: Luis Martínez Jurado was appointed new CFO, reporting to Ramón Aragonés, CEO, therefore joining the Management Committee, following the voluntary departure of Beatriz Puente, who decided to undertake a new professional challenge.

OCTOBER

- **NH Hotel Group signs the extension of the duration of its revolving credit agreement in the amount of €236 million until march 2023 with an ESG-linked clause:** NH Hotel Group has signed with all the financial institutions involved the extension until March 2023 of the duration of the syndicated credit facility, whose original maturity was September 2021. On the other hand, NH Hotel Group's commitment to sustainability performance and evolution, together with its participation in the 2019 Corporate Sustainability Assessment (CSA) carried out by the sustainable investment agency SAM, has enabled it to obtain the sustainable financing rating for this syndicated credit line for an amount of 236 million euros.

- **Board Appointment**: The Board of Directors of NH Hotel Group has resolved and appointed Rufino Pérez as a new Executive Director. The appointment was made following a prior favourable report issued by the Nominations, Remuneration and Corporate Governance Committee. In his new duties, he retains the role of Chief Operations Officer and Global Transformation Leader.

- **HYBRID MEETINGS by NH:** As the world evolves and faces a new reality, NH Hotel Group has improved its meetings and events services with modernized hybrid meeting solutions thanks to technology. Wi-Fi bandwidth has been improved to guarantee better connection when sharing content in real time with all attendees. As the needs of the sector change, how and what the Company offers has evolved to adapt to new ways of working.

NOVEMBER:

- **NH Hotel Group, one of the most sustainable hotel chains in the world**: NH Hotel Group has been recognized by SAM, the prestigious specialist in rating investment in sustainability, among the top 3 most sustainable companies in the world in its sector. This recognition is testament to our leadership in sustainability within the industry and confirms the ambition shared with Minor International, a member of the Dow Jones Sustainability Index, which monitors the economic, social and environmental performance of the leading sustainability companies in the world.

OUR VISION AND CULTURE

Our vision

One day, whenever anyone contemplates a trip to a city for an overnight stay or meeting, for business or pleasure, they will always ask themselves: "Is there an NH Hotel at my destination?"

NH Hotel Group places its focus on the guest; they are at the centre of all decisions. This approach allows us to evolve towards a vision oriented towards a culture of service, attention to detail at all times and corporate values that promote sustainability, innovation and responsibility, based on people.

NH Hotel Group wants to be consumers' chosen destination, offering them memorable experiences that exceed their expectations and making them feel special. This vision, which is shared by all the people who make up the Company, serves as a performance and commitment guide, while at the same time seeking to make NH Hotel Group the best option for investors and owners who wish to grow with us, our global and flexible proposal, highly motivated and proud teams, efficient management tools and unique solutions.

To maximize the return for shareholders who have placed their trust in NH Hotel Group, the Company offers its investors the best management opportunities as a leading operator in both the urban and business segment.

Our culture

The **NH Hotel Group culture, inspired on its vision and a clear commitment to customer service, is what has set the Group apart since it started operating in the industry.**

The alignment of the Company's culture with its strategy is key for sustainable growth. This culture has allowed the Company to evolve from a management model to a leadership one that incorporates the beliefs that guide the day-to-day activities of all employees, and which are:

1. **We are obsessed with delivering memorable experiences**
2. **We are proud to serve**
3. **We strive to be the best, even if we are not the biggest**
4. **We are all responsible for our results**
5. **We care for our people. Our people care for our guests**
6. **We are active in the communities where we live**
7. **We are young minded**
8. **We enjoy what we do**

…and we do all this with a smile!

As a reflection of our Company values …

THE HOTEL NH VENTAS IN MADRID HONOURS MARCELA ON HER 93rd BIRTHDAY

During the hard months of lockdown, NH Hotel Group joined the initiative in which hundreds of establishments lit up their facades with hearts to convey a message of unity, solidarity, raise the spirits of citizens in general and honour healthcare and essential service professionals who are work towards ending the coronavirus pandemic.

Marcela, a resident of the neighbourhood where the NH Ventas hotel is located, looked out her window every night during the strict lockdown to see the messages of support projected on the hotel's façade. Knowing that this daily moment cheered her up greatly, her granddaughter Laura wrote to the hotel thanking them for this gesture and telling them that it would soon be her grandmother's birthday. When that day came, the NH Ventas lit up its exterior with special messages, lights and songs to celebrate Marcela's 93rd anniversary. A surprise that birthday lady and her family will never forget.

NH HOTEL GROUP STRATEGY

COVID-19 has caused a drastic fall in demand linked to the mobility restriction measures, which has led to a focus on efficiency. In 2021, once the Company has better visibility of the recovery in demand, a long-term strategic planning process will be undertaken.

The Company's excellent performance in recent years (pre-COVID-19) has been the result of a complete transformation of the Group.

In the first phase of this transformation, which began in 2014, the strategic plan focused on brand segmentation, portfolio optimisation, strong investments in repositioning and systems and a renewed pricing strategy. This brought NH Hotel Group to a second phase, which started in 2017, and was based on the Company's strengths and on boosting the key levers in value creation for the business.
This Plan prioritised driving the Company's revenues and increasing its efficiency, while leveraging its strengths for new repositioning opportunities and organic expansion as a further avenue for growth.

With the entrance of Minor International as shareholder, a new phase of opportunities opened up through the creation of a global hotel platform with presence in seven continents.

Thus, began a new phase in which additional opportunities arose:

- The possibility of increasing the customer base, attracting the growing Asian demand to European markets.

- Economies of scale with commercial partners, travel agencies and suppliers.

- The capacity to use a broader range of brands in new territories, i.e., take NH brands to Minor territories and vice versa.

- Access to the luxury segment with new rebranding opportunities and the opening and formalization of contracts for new hotels within this segment.

- Integration of Tivoli operations in Europe under NH management.

- Having the best teams, promoting the exchange of talent.

KEY STRATEGIC INITIATIVES IN 2020

1. NH HOTEL GROUP CONSOLIDATES ITS STRATEGIC COMMITMENT TO THE LUXURY SEGMENT

In 2020, NH Hotel Group has consolidated its strategic commitment to the luxury segment through an agreement with Covivio, one of the main hotel investment funds in Europe, to operate eight leading establishments located mainly in Rome, Florence, Venice, Nice, Prague and Budapest.

Thanks to this operation, NH Hotel Group has strengthened its leadership in Italy and boosted its strong position in the competitive markets of France and Eastern Europe. At the same time, this agreement represents a huge milestone in the shared ambition with MINOR of continuing to bring the Anantara Hotels & Resorts luxury brand closer to Europe.

In addition, Anantara Villa Padierna's inclusion in The Leading Hotels of the World (LHW), a collection to which Tivoli Avenida Liberdade (Lisbon) and Tivoli Palacio de Seteais (Sintra) already belonged, allows Anantara to position itself as a luxury brand in Europe and go hand in hand with the best partner to introduce itself in key feeder markets in this segment.

2. EXPANSION AND PORTFOLIO OPTIMISATION PLAN

Due to COVID-19, certain openings that had been originally scheduled for 2020 have been postponed. Nonetheless, during the year, the Group opened 11 new hotels with 1,966 rooms to be added to the portfolio and signed a 394-room hotel in Copenhagen, which is expected to open in the last quarter of 2021.

HOTELS OPENED BETWEEN JANUARY 1st AND DECEMBER 31st, 2020

HOTEL	City	Category	Rooms
nhow London	London	★★★★	190
nhow Amsterdam Rai	Amsterdam	★★★★	650
NH Collection Palazzo Verona	Verona	★★★★★	70
Anantara Sahara Tozeur Resort & Villas	Tunisia	★★★★★	93
Anantara Palazzo Naiadi Rome Hotel	Rome	★★★★★	238
NH Collection Venezia Grand Hotel Palazzo Dei Dogi	Venice	★★★★★	64
NH Venezia Santa Lucia	Venice	★★★★	100
NH Collection Firenze Palazzo Gaddi	Florence	★★★★	86
Anantara New York Palace Budapest Hotel	Budapest	★★★★★	185
NH Collection Budapest City Center	Budapest	★★★★★	138
NH Collection Prague Carlo IV	Prague	★★★★★	152
Total rooms			1,966

EVOLUTION OF THE NUMBER OF OPENINGS AND INCORPORATIONS

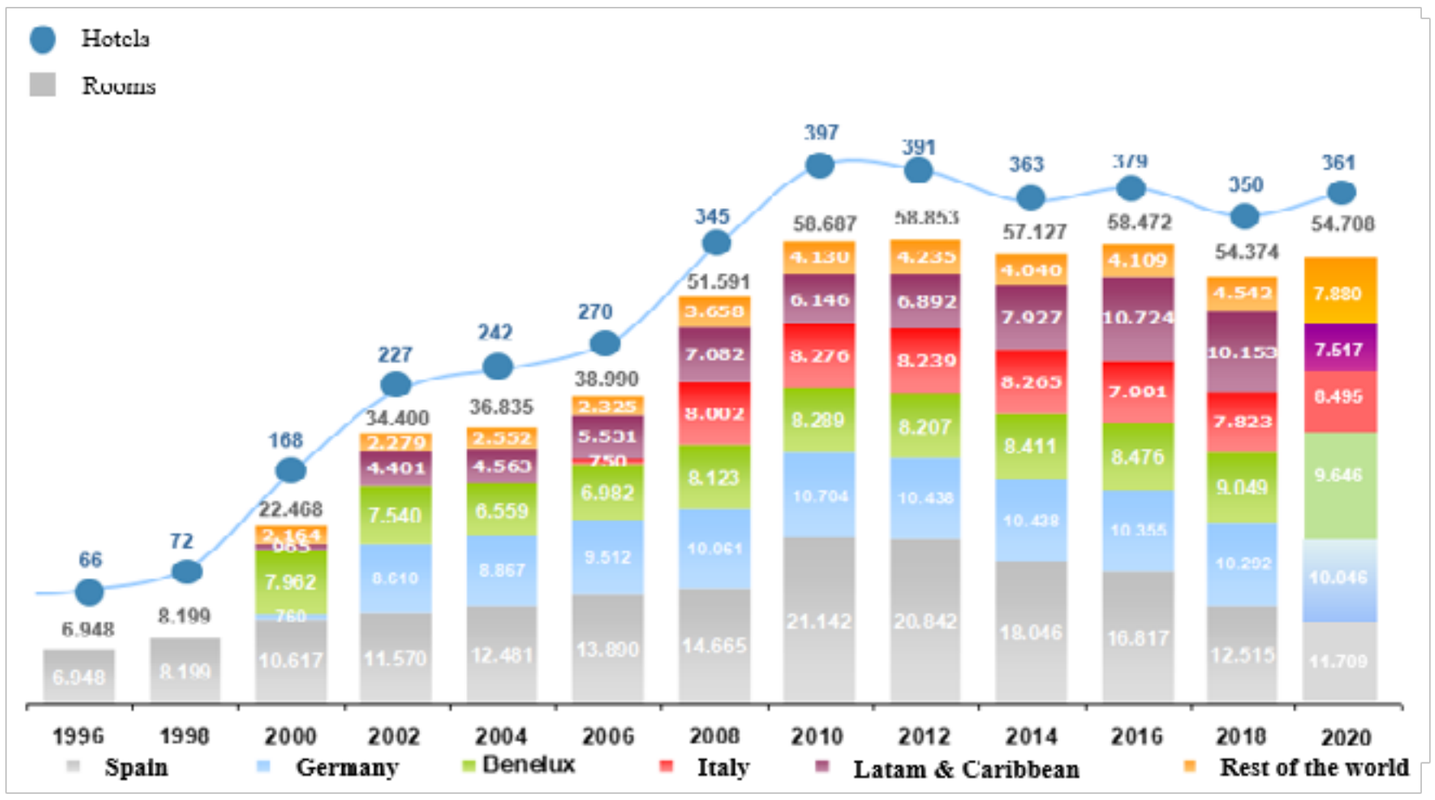


EVOLUTION OF THE PORTFOLIO BETWEEN 1996 AND 2020

Continuous growth

In number of rooms and hotels between 1996 and 2020.

The evolution of the portfolio is shown in the graph below:



3. COMMERCIAL EVOLUTION MODEL: BOOSTING BUSINESS ∞

The commercial strategy, based on the ***Customer Centric*** philosophy, is built on experience, specialization and the close relationship that has been generated with customers over the years, to offer a service of the highest quality. With this, the Company will manage to improve its capacity to evaluate the actual opportunity cost at each time, impacting on its global strategy and the acceleration of its growth.

Since 2018 projects have been led for the optimisation and commercial development of the Company through the digitalization of processes and new business approaches such as the acquisition and loyalty of B2B customers, which have represented an important new demand channel. Along these lines, NH Hotel Group continues with its digital transformation project in the B2B area, with the aim of increasing profitability and generating additional demand.

Boosting Business is an opportunity to accelerate the Company's business capacity which will guide the evolution for adaptation towards both future and present customers. It is focused on creating new digital tools, boosting growth and strengthening the connection with customers. Adapting the service to the digital era to create new processes, ways of working and identifying development opportunities will make it possible to improve efficiency and offer a much more personalized and quality experience in line with the new needs of customers.

For NH Hotel Group, being in the right place at the right time is key.

The creation of an optimal model to allow for the development of synergies (cross-selling) with Minor Hotels to promote more transversal action plans, adapted to each market, drives the growth of NH Hotel Group in both new and traditional markets, increasing demand and reducing seasonality.

Thus, the cohesion between the culture of service that characterises NH Hotel Group and the step towards digitalization increases the capacity to identify new opportunities and drives growth as professionals, as leaders and as an organisation.

From the start of the pandemic, we have analysed the different scenarios of government and/or local restrictions in the different countries in which NH Hotel Group operates, monitoring their evolution and adapting constantly to the timelines or phases of the restrictions.
Our main goal has always been to maintain flexibility both in individual and group bookings, adapting to the circumstances of force majeure in each country.

4. TRANSFORMATION PLAN

NH Hotel Group continues to believe in innovation and in 2020, despite being a very difficult year, it has maintained the Company's Digital Transformation Project as one of the initiatives of the Strategic Plan in order to bring efficiency to processes and systems, increase the capacity of differentiation compared to competitors and customer perception, and continue improving the Company's basic processes.

One of the Company's great achievements has been to centralise all its properties and functions in a single integrated system. This allows NH Hotel Group to have a 100% integrated digital

platform: **NH Digital Core Platform**. A pioneering technological solution in the sector that has made it possible to integrate the systems of all the Group's hotels and which has become the foundation on which NH Hotel Group can extend its knowledge of customers, maximise its efficiency and innovate on a large scale in all its areas of value. In 2020, this has also facilitated the development and integration of functionalities to increase the safety of our employees and guests, as well as allowing us to continue working as normal in such uncertain times. Access to our systems has not experienced any problems from any location and both the Central Booking service and each of the employees of NH have been able to work normally, from the very first day of lockdown, whether from home or at the hotel.

We can also highlight that this integrated platform gives us enormous flexibility to obtain the necessary information to make decisions, such as, the advisability of opening or closing hotels, with no technical challenge or additional project needed. It is simply straightforward and immediate. This provides us with great efficiency as a Company, focusing on what is really important, such as analysis, making decisions and executing them.

Among the main benefits attention should be drawn to the improvement in the customer experience in a global setting such as the present, the optimisation and reduction in operating costs, the in-depth analysis of data – which has allowed the Company to generate new sources of revenues –, greater agility in responding to market changes and, especially, the important boost given to the innovation culture within the organization.

At NH Hotel Group we consider digitalization to be a key tool to offer an extraordinary experience, but always as an accompaniment to the work of our employees who, proud to serve, are the ones who really make a difference. They are the soul of NH Hotel Group and digitalization is a facilitator; and the fact that they go hand in hand is what guarantees the success of our business model.

SIGNIFICANT PROJECTS IN 2020

1. Mobile Guest Service

Digitalization of hotel information and services on a *Progressive Web App* (PWA) that can be accessed from any of a guests' device (cell phone, tablet, laptop), offering them the possibility of having all of the hotel's information at hand: from information on the hotel's facilities and hours, to the possibility of ordering room service, booking a table at the restaurant, requesting additional amenities, etc. An initiative that, in addition to supporting the Feel Safe at NH plan by eliminating interactions and guaranteeing information during their stay, generates benefits in terms of sustainability due to the digitalization of all the information.

2. Housekeeping Mobility App

NH Hotel Group has continued to implement and improve a Housekeeping app that optimises management of the department, as well as the check-in process. As soon as a room is clean and ready, the hotel's housekeeping staff can confirm this in real time using the app, translating into an optimisation of the check-in process and an improvement in the guest's experience, as they can have access to the room earlier.

This also represents an improvement as it allows employees to manage room cleaning in an optimal and safer way; not forgetting the reduction in the use of paper and the resulting positive environmental impact. In 2020, 50 hotels have already been working with this app.

3. Tablets at the reception desks

NH Hotel Group has launched a pilot in several hotels to include terminals in reception areas, promoting a new check-in and check-out process accompanied by a tablet that allows customers to check their bill or even sign consents without the need for paper. A more efficient and sustainable process, which also allows a digitally stored record of customer signatures and consents.

All in all, a project that will improve guest experience and the check-in and check-out processes.

4. Dedica integration

NH Hotel Group has integrated the Dedica hotels into its portfolio, completing the implementation of NH systems and processes in them. The time given for the integration has been very short (a month and a half to implement, train and provide support to 7 hotels) but this has been possible due to our integrated platform and our internal knowledge network (NH Experts) which is operative in all countries, allowing us to provide straightforward, fast and very effective support in integration projects.

5. Robotics

NH Hotel Group applies robotic technology in different areas of the Company, to automate repetitive and labour-intensive processes that have little added value. This year the focus has been on uploading contracts and negotiated prices, as well as customer registration for companies that have filled in a form at the hotel. The robotization of these processes increases productivity and efficiency by reducing manual errors and costs. This technology is also being applied to optimise basic processes in reception, automating repetitive tasks so that more time can be dedicated to guests and improving their experience.

6. Registration Form

In 2020, a digitalization project has been completed for guest registration forms that greatly simplifies the check-in process. Instead of three documents (welcome card, signed registration form and NH Rewards leaflet), there is now just one registration document that complies with the legal requisites of all countries and presents a new and attractive design that can be personalized for each brand. This is a simple way to speed up and automate the registration process, so that employees can offer better attention and a better experience for guests by reducing check-in times.

7. Digitalisation of reports

This year a project has been launched to digitalise the Company's emergency and safety reports. This entails improving our environment impact by considerably reducing the number of daily printouts and by optimising hotel managers' control and supervision processes.

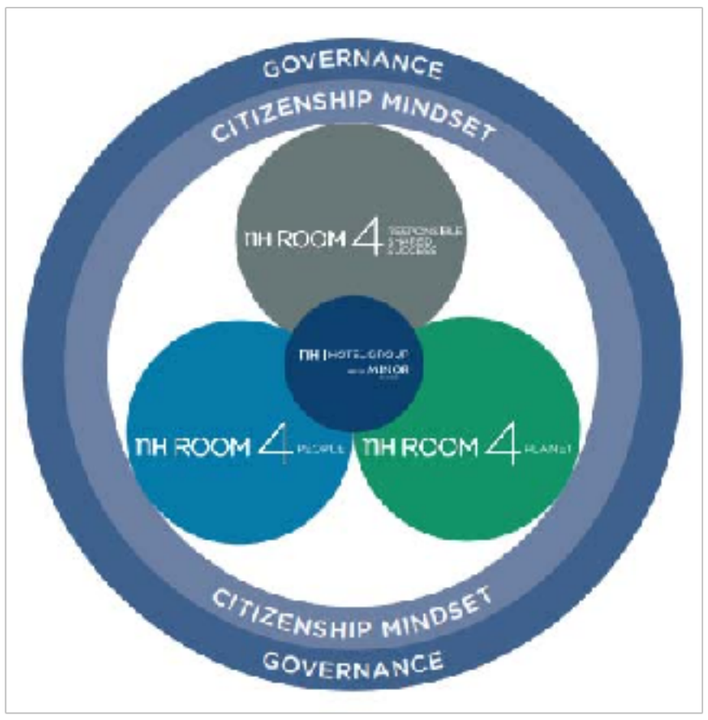
8. B2B CRM

Thanks to this project, two main objectives are being achieved. On the one hand, it provides the sales force with a tool for monitoring commercial activity: managing visits, emails or any other type of contact with customers, thus being able to identify opportunities and monitor the main business metrics associated with customer activity. On the other hand, it can be used as a solution for managing the demand for event and group services in hotels, using matching learning to analyse the service quotation requests received by email. This makes it possible to assign each of the requests to a group of sales agents specialised in each business segment. This solution is integrated with the group and event booking management tool, providing point-to-point management of the process, from the event/group quotation request, through booking and follow-up, to invoicing and collection.

5. SUSTAINABLE BUSINESS

The Sustainable Business pillar is an essential lever in NH Hotel Group's business strategy that allows us to move towards a more responsible and sustainable hotel model that generates wealth for society.

To be recognized as a world leader in excellence and sustainability is the Company's ambition; and it is part of our Vision for 2021. To achieve it, NH Hotel Group takes a holistic view of sustainable business, and takes an integrated approach to ESG, thanks to its pillars which are NH ROOM4People, NH ROOM4Planet and NH ROOM4 Responsible Shared Success, all of them framed under the premise of corporate governance and a citizenship mindset.



NH Hotel Group's commitments in this field and the improvement it has shown this year, have led it to receive the Bronze Class recognition in the Sustainability Yearbook 2021 - published by S&P Global, as well as the title of *Industry Mover* for obtaining the greatest improvement in its evaluation with respect to the previous year.

CORPORATE GOVERNANCE AND ETHICAL COMMITMENT

SHAREHOLDER STRUCTURE

At the end of 2020, the share capital of NH Hotel Group, S.A. totals € 784,360,486 and was represented by 392,180,243 bearer shares with a par value of 2€ each, fully subscribed and paid.

According to the latest notifications received by the Company and the communications sent to the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores – CNMV*) before the year end, the most significant shareholders at the end of the year were as follows:

	2020	2019
Minor International Public Company Limited ("MINT")[2]	94.13%	94.13%



Relations with shareholders and investors

Throughout 2020, NH Hotel Group has been in permanent contact with the Company's analysts and investors in order to satisfy their needs concerning the Group's general evolution. Due to the health situation, this contact with the market has taken place mainly through virtual meetings on a one-to-one basis, through our participation in investors' conferences organized by various financial institutions and individual call requests.

KEY INDICATORS ON RELATIONS WITH SHAREHOLDERS AND INVESTORS IN 2020

Entities that performed analyses of NH Hotel Group	11
Queries from shareholders and investors handled	60
Individual meetings with shareholders and investors	110
Analyst follow-up reports	52

The Company produces consistent and transparent financial information on a regular basis, with the aim of permitting monitoring for the analysis and valuation of the Group.

[2] MINT is the indirect shareholder through MHG Continental Holding (Singapore) Pte Ltd.

As a listed company, NH Hotel Group publishes quarterly results for the market. In addition, every six months and coinciding with the publication of half-yearly and annual results, a call/conference with the market is held with an average attendance of 25 participants, including investors and analysts.

The quarterly results published detail the following:

- KPIs and drivers of results.
- Evolution by geographical areas.
- Evolution of costs.
- Breakdown of cashflow and financial debt position.

In addition, the Investor Relations department is in permanent contact with the market through calls, trips, investors' conferences … in order to keep the investment community informed of the Company's evolution.

CORPORATE GOVERNANCE

The Corporate Governance system of NH Hotel Group is made up of the Bylaws, the Board of Directors' Regulations, the General Shareholders' Meeting Regulations and the Internal Regulations for Conduct on Securities Markets, as well as the other rules, codes, internal procedures and corporate policies approved by the competent bodies of the Company.

This System has been formalised in line with the highest standards of compliance with good practice in corporate governance, as defined by, among others, the Good Governance Code for listed companies (the "Good Governance Code"), approved by a Resolution of the Board of the CNMV on February 18th, 2015 and revised in June 2020, which is aligned with the recommendations on good governance of international markets.

Board of Directors of NH Hotel Group

The Board of Directors is the Company's senior management and representation body. It is empowered, within the scope of the corporate object defined in the Bylaws, to carry out any acts of administration or disposal, under any legal title, except those reserved by law or by the Company's Bylaws to the exclusive competence of the General Shareholders' Meeting.

Consequently, the Board of Directors is conceived as a supervisory and control body, while the ordinary management of the Company's business is entrusted to the executive bodies and the management team. The functions of the Board of Directors and its Committees (Audit and Control Committee and Nominations, Remuneration and Corporate Governance Committee) are expressly reflected in articles 33 and 47 of the Bylaws and articles 5 and 25 of the Board Regulations. The Board of Directors will develop its duties in line with the corporate interest, which is understood to be the Company's interest; and in this regard it will act to safeguard the Company's long-term viability and to maximize its value, also weighing the many legitimate public or private interests involved in relation to any business activity.

Board control committees

During 2020, the Board of Directors of NH Hotel Group had the following control commissions and committees:

- **Audit and Control Committee.** Focused among other matters, on supervising the effectiveness of the Company's internal control and the process of drawing up and presenting statutory financial information, ensuring the independence and effectiveness of the internal audit function and of the external auditor.

COMPOSITION OF THE AUDIT AND CONTROL COMMITTEE
As of December 31st

Name	Position	Category
Mr. Fernando Lacadena Azpeitia	Chairman	Independent
Mr. José María Cantero de Montes-Jovellar	Director	Independent
Mr. Stephen Andrew Chojnacki	Director	Proprietary
Mr. Carlos Ulecia Palacios	Secretary	Non-director

- **Nominations, Remuneration and Corporate Governance Committee.** Focused on proposing the appointment of Independent Directors or reporting on the suitability of other directors to be appointed, as well as analysing and evaluating everything related to remuneration of both Board members and Senior Management, drawing up the corresponding policies. It is also responsible for supervising and controlling compliance with corporate governance rules and the Corporate Social Responsibility Plan, proposing the necessary Reports to the Board.

COMPOSITION OF THE NOMINATIONS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE
As of December 31st, 2020

Name	Position	Category
Mr. José María Cantero de Montes-Jovellar	Chairman	Independent
Mr. Stephen Andrew Chojnacki	Director	Proprietary
Mr. Alfredo Fernández Agras	Director	Independent
Mr. Carlos Ulecia Palacios	Secretary	Non-Director

COMPOSITION OF THE BOARD OF DIRECTORS

As of December 31st, 2020

Name	Position on the Board	Category
Mr. Alfredo Fernández Agras	Chairman	Independent
Mr. Ramón Aragonés Marín	CEO	Executive
Mr. José María Cantero de Montes-Jovellar	Director	Independent
Mr. Kosin Chantikul	Director	Proprietary
Mr. Stephen Andrew Chojnacki	Director	Proprietary
Mr. William Ellwood Heinecke	Director	Proprietary
Mr. Fernando Lacadena Azpeitia	Director	Independent
Mr. Rufino Pérez Fernández	Director	Executive
Mr. Emmanuel Jude Dillipraj Rajakarier	Director	Proprietary
Mr. Carlos Ulecia Palacios	Secretary	Non-Director

Certain changes in the composition of the Board took place in 2020. The current composition is the result of the resignation of the Executive Director Ms. Beatriz Puente Ferreras, presented on September 28th due to the end of her professional relationship with the Company and the appointment by co-optation of Mr. Rufino Pérez Fernández as Executive Director, following a favourable report by the Nominations, Remuneration and Corporate Governance Committee.

Between December 31st, 2020 and the date of drawing up this Report, there have been no changes in the composition of the Board.

The complete profile of all members of the Board of NH Hotel Group and its committees is public and can be consulted at the Corporate Governance section of the Company's corporate website.

Selection Policy for Director Candidates

- Candidate Selection Objectives and Process

On December 22nd, 2020, following a favourable report issued by the Nominations, Remuneration and Corporate Governance Committee, the Board of Directors approved modifications to the Director Selection Policy in line with the Good Governance Code, which ensures that proposed appointments of directors of the Company are based on a prior analysis of the Board's needs. To evaluate the candidates who participate in the selection process, the procedure considers the skills, experience, professionalism, suitability, gender, independence, knowledge, qualities, capacities and availability of members of the Board of Directors from time to time. The Nominations, Remuneration and Corporate Governance Committee plays a relevant role in this process.

This Policy seeks to avoid discrimination and ensure that merit is the governing selection principle in finding the best candidates for the Company.

- Conditions that candidates must fulfil

Candidates for the post of Director of the Company must meet requisites of qualification and professional and personal honourability. In particular, they must be suitable and prestigious individuals, of recognized professional capability, competence and experience, with sufficient qualifications, training and availability for the position. Candidates must show a commitment to their role, with a personal and professional history of respect for the law and commercial good practice, and they must comply with the obligations established by law at all times in order to be part of the Board of Directors. Furthermore, they must be professionals of integrity, whose conduct and career are aligned with the ethical principles and duties established in the Company's internal regulations, and they must share the Group's vision and values.

- Promotion of Diversity

NH Hotel Group is convinced that diversity in all its facets, at all levels of its professional team, is an essential factor to ensure the Company's competitiveness and a key element of its corporate governance strategy. In the candidate selection process, discrimination is avoided, and merit is the principal selection criterion, in the corporate interest, and the process is designed to seek the most qualified candidates.

However, and notwithstanding the above, every time a vacancy arises on the Board of Directors, and the corresponding selection process starts, at least one woman must participate as a candidate, until the target of 40% by 2022 is achieved.

To reach this target, the Nominations, Remuneration and Corporate Governance Committee will ensure that the selection process does not suffer from any implicit bias that impedes the selection of female Directors and that the potential candidates include women who match the required professional profile.

Management Committee

The NH Hotel Group Management Committee is conceived as a body that guarantees the viability of the business, seeking growth and establishing the Company's strategic framework, developing talent and leadership.

The Management Committee meets on a weekly basis and is made up of the Chief Officers of the different areas:

COMPOSITION OF THE MANAGEMENT COMMITTEE

As of December 31st, 2020

Name	Position
Mr. Ramón Aragonés	*Chief Executive Officer*
Mr. Fernando Cordova	*Chief People & Sustainable Business Officer*
Ms. Laia Lahoz	*Chief Assets & Development Officer*
Mr. Isidoro Martínez de la Escalera	*Chief Marketing & Communication Officer*
Mr. Luis Martínez Jurado	*Chief Financial Officer*
Mr. Rufino Pérez	*Chief Operations Officer & Global Transformation Leader*
Mr. Carlos Ulecia	*General Counsel & Chief Legal and Compliance Officer*
Mr. Fernando Vives	*Chief Commercial Officer*

Board and Senior Management Remuneration

AVERAGE REMUNERATION OF THE BOARD OF DIRECTORS AND MANAGEMENT COMMITTEE OF NH HOTEL GROUP (Euro)

	2020		2019	
	Women	Men	Women	Men
Remuneration of Board members*	-	-	53,000	50,500
Average remuneration of the Management Committee **	286.076	260.224	604,198	569,837

**In 2020, as there were momentarily no women, there is no data comparability for the Board of Directors. Furthermore, there are no male directors who are not proprietary directors (proprietary directors of NH Hotel Group have waived their fixed remuneration and their expenses allowance as Board members) or chair a committee. It should be noted that the 2 Committee chairs and the Chair of the Board are held by male Directors. These are positions that receive remuneration of 200,000 euros in the case of the Chairman of the Board and 90,000 euros in the case of the Chairs of the Committees. This year, due to the crisis deriving from Covid-19, the directors have agreed to reduce their remuneration by 50%.*

***Includes: Fixed salary, vehicle, medical insurance, life insurance and accident insurance. All amounts accrued in 2020 (gross amounts) of committee members who were on the committee during 2020. The figures for incoming and outgoing members during 2020 have been annualized.*

All the members of the Management Committee have reduced their remuneration in 2020 by more than 50%.

The remuneration of Executive Directors is included in the figures shown for the Management Committee as their duties as members of the Board are not remunerated.

Further information on the remunerations policies for the Board of Directors is available in the Annual Corporate Governance Report 2020.

COMPLIANCE SYSTEM

NH Hotel Group continues to promote the compliance functions, focusing on the following key areas:

Code of Conduct

Its purpose is to determine the principles, values and rules that are to govern the conduct and behaviour of each of the professionals and executives of the Group, as well as members of the governing bodies of Group companies and stakeholders working with NH Hotel Group. More information on the Code of Conduct can be found in the "Ethics and Conduct" section of this Report.

Criminal Risk Prevention Model

It describes the principles applicable to the management and prevention of crimes within NH Hotel Group and defines the structure and operation of the control and oversight bodies established within the Company, systematising existing controls for the purpose of preventing and mitigating the risk of crime in the different areas of the Company.

Internal Rules of Conduct

These rules establish the minimum standards that apply to the purchase and sale of securities, as well as to privileged and confidential information, and how such information must be handled.

Procedure for Conflicts of Interest

It establishes the rules to be followed in situations in which the interest of the Company or any of the Group companies comes into conflict with the direct or indirect personal interest of the directors or of persons subject to rules governing conflicts of interest.

Compliance Committee

Established in 2014, the Compliance Committee is made up of members of the Management Committee and presided over by the Chief Legal and Compliance Officer. It is responsible for overseeing compliance with the key areas of the Compliance System: the Internal Rules of Conduct, the Procedure for Conflicts of Interest, the Code of Conduct and the Criminal Risk Prevention Model, among others.

The Compliance Committee oversees the activity carried out by the Compliance Office and has the authority to take disciplinary measures against employees in relation to matters falling within its scope of competence.

Three meetings of the Compliance Committee were held in 2020.

Compliance Office

The Compliance Office, under the leadership of the Compliance Officer, reports directly to the Compliance Committee and is responsible for spreading awareness of and monitoring compliance with the Code of Conduct and for preparing the Criminal Risk Prevention Model, as well as handling queries regarding the Code of Conduct.

In turn, the Head of Internal Audit is responsible for managing the confidential Whistleblowing Channel, which guarantees confidentiality and respect throughout all the phases of the procedure, as well as the absence of reprisals. The procedure is specified in detail in the Code of Conduct.

In 2020 a total of 38 alleged breaches of the Code of Conduct were reported, a decrease of 16% compared to 2019, and the pertinent disciplinary measures were applied, and a response was given to all 30 queries received.

After analysing the queries and alleged breaches reported through the whistleblowing channel or other formal mechanisms of the compliance office, none of them has resulted in a breach under any of the following categories:

Breach category	No. of incidents	Nature	Fines (€)		No. handled through resolution mechanisms	Actions taken by NH
			2020	Cumulative 2017-2020		
Bribery and Corruption	0	N/A	0	0	N/A	N/A
Anti-competitive behaviour	0	N/A	0	0	N/A	N/A
Environmental regulations	0	N/A	0	0	N/A	N/A
Human rights	0	N/A	0	0	N/A	N/A
Voluntary regulations and/or codes relating to the effects of products and services on health and safety	0	N/A	0	0	N/A	N/A
Voluntary regulations and/or codes relating to information and labelling of products and services	0	N/A	0	0	N/A	N/A
Voluntary regulations and/or codes relating to commercial communications, including advertising, promotion and sponsorship	0	N/A	0	0	N/A	N/A
Complaints received on breaches of customer privacy	0	N/A	0	0	N/A	N/A
Social and economic laws and regulations	0	N/A	0	0	N/A	N/A

In relation to these breach categories, the Company currently has no ongoing investigations initiated in 2020 or prior years and has not had to take any disciplinary action against any employee. Furthermore, it has not had to terminate any contract with any commercial partners due to incidents of corruption or any other type of incident included in the categories mentioned above.

New policies approved in 2020

In 2020, following a favourable report by the Nominations, Remuneration and Corporate Governance Committee, the Board of Directors of NH Hotel Group has approved the updating of the Group's Energy and Environment Policy, as well as the Human Rights Policy.

The approval of these Policies has been duly communicated to all employees, to ensure they are understood and observed.

Energy and Environment Policy

The updated Energy and Environment Policy was approved at the Board meeting held in July 2020. This Policy was updated to reinforce NH's commitment to the wellbeing of its guests and efficient management of available resources in the environment where the Group's hotels are located, in line with the main applicable international frameworks.

Human Rights Policy

Also, in July 2020, the Board of Directors approved the NH Hotel Group's Human Rights Policy. The Policy establishes our commitment to respect Human Rights in accordance with the highest international standards and works to PROTECT, RESPECT AND REMEDY (prevent and manage) the risks associated to the breach of such rights.

The approval of these two policies is a milestone set in the context of the Company's commitment to improve its performance in sustainability and the latest Corporate Governance recommendations that emphasize the need to promote policies such as Corporate Responsibility, Human Rights, Environment, etc. These policies also define the area of application and the promotion of the NH Hotel Group's guiding principles among customers, suppliers and partners.

ETHICS AND CONDUCT

The framework for ethics in NH Hotel Group is based on its Code of Conduct. Responsibility for approving the Code of Conduct lies with the Board of Directors. The most recent update of the Code was in 2015.

The Code affects all the people who work at NH Hotel Group, and is applicable not only to employees, executives and members of the Board of Directors, but also to other stakeholders such as customers, suppliers, competitors or shareholders, as well to the communities where NH Hotel Group operates its hotels.

The Code of Conduct summarises the professional conduct that is expected of NH Hotel Group employees, who are committed to acting with integrity, honesty, respect and professionalism in carrying out their activities.

NH Hotel Group is committed to complying with laws and regulations in the countries and jurisdictions where it does business. This includes, among other matters, laws and regulations on health and safety, discrimination, tax, data privacy, competition, anti-corruption, prevention of money laundering and an environmental commitment. The key areas covered by the Code include:



The Code of Conduct is published in 6 different languages on the official website of NH Hotel Group and is available to all stakeholders. Furthermore, with effect from 2017, NH employees can access the code of conduct from their mobile devices using the "My NH" app. Employees at workplaces operating under NH Hotel Group brands have also been provided with a practical Guide and a FAQ document.

NH Hotel Group has set up a whistleblowing channel that allows employees, executives, members of the management bodies, suppliers, customers or any stakeholder to report confidentially and without fear of reprisals any breach of the Code of Conduct. The email address of the whistleblowing channel is available on the NH Hotel Group website and on the intranet and is managed by the Senior Vice President of Internal Audit.

There is currently no external investigation in progress against NH Hotel Group relating to the Code of Conduct or matters related to corruption.

Awareness of and training on ethics and conduct

The Company has an online training tool for all NH Hotel Group employees with personalized mail through which they are provided with online courses on different matters, including the following courses relating to ethics and conduct:

- Code of Conduct
- Crime Prevention
- General Data Protection Regulation
- Prevention of money laundering and terrorist financing
- Antifraud and corruption

All courses on the above matters include an exam that measures employees' level of comprehension. NH Hotel Group also has a supervision and control system for both the preparation of financial information (ICFR) and for criminal risks (Crime Prevention Model).

COMPLIANCE TRAINING 2020

	Consolidated perimeter		Corporate perimeter	
	Face-to-face	Online	Face-to-face	Online
Training on the Code of Conduct				
Number of employees trained	-	812	-	1,078
Hours of training	-	835	-	1,110
Training on Criminal Risk Prevention Model				
Number of employees trained	-	124	-	145
Hours of training	-	126	-	148
Training on Prevention of Money Laundering and Terrorist Financing				
Number of employees trained	-	1,441	-	1,815
Hours of training	-	1,127	-	1,424
Anti-fraud Training				
Number of employees trained	45	1,153	45	1,557
Hours of training	90	609	90	898

Zero tolerance of corruption

NH Hotel Group has an Anti-Fraud and Corruption Policy, as well as its Policy for the prevention of Money Laundering and Terrorist Financing, applicable to all employees, executives and members of the Board of Directors of NH Hotel Group.

In addition, NH has other internal procedures, such as the Gift Policy, that act as prevention measures and tools for massive data analysis that help detect suspicious transactions.

The Company carries out continuous monitoring and control of the policies and internal procedures. The Crime Prevention Model sets out explicitly the due diligence measures established by the Company, as well as the investigation procedure and response in the event of breach, in accordance with the law concerning the criminal responsibility of legal persons.

As indicated above, the Compliance Committee is responsible for managing crime prevention and, therefore, for the definition, implementation and supervision of the Crime Prevention Model.

Cybersecurity

At present, information security incidents are one of the main risks to which businesses are exposed. Accordingly, at NH Hotel Group we focus on strengthening computer security mechanisms and protocols, through polices, rules, procedures and employee training.

Accordingly, cybersecurity and GDPR training is aimed at fostering a culture of information security in the Company that will serve to establish the basis for the protection of both our confidential information and that of our customers, suppliers and other stakeholders.

NH Hotel Group's strategy in relation to cybersecurity is under constant review in the committees of the Executive Management team that oversees the cybersecurity strategy. To achieve the goals that have been set, a range of initiative and measures are identified, planned and implemented to improve NH Hotel Group's security capabilities and to prevent and/or mitigate any risk that may arise.

Remote working has increased due to the pandemic and also the use of devices outside the secured enterprise network. NH Hotel Group has increased the control of all the network with the implementation of tools that allow to prevent potential doubtful access, and has increased the awareness of this risks on his employees and stakeholders, aiming to minimize cyberattacks, an event that has increased during the crisis.

Data Privacy and Protection

In a sector as competitive as the hotel business, the customer experience is a critical differential factor to ensure the satisfaction and loyalty of our customers. Aware that this is a key aspect in generating trust, NH Hotel Group has mechanisms in place to protect data privacy.

With the entry into force of the new data protection regulations in 2018, NH Hotel Group has continued to adapt its personal data management and control systems to EU Regulation 679/2016 (GDPR) and Spanish Act 3/2018 (LOPDGDD). NH Hotel Group's intention is to process the personal data of its customers, employees and suppliers with the utmost guarantees of respect for their privacy and complying at all times with the applicable legal obligations.

Accordingly, the data protection sections of legal disclaimers, both on websites and on documents provided to customers, have been updated. The Company has also implemented measures to make these privacy policies and legal disclaimers accessible to customers at all times.
In the framework of this adaptation, the Company has implemented an additional information system that is available to end customers, so that they can discover each of the types of processing carried out by NH Hotel Group. All of this is set out in the NH Hotel Group privacy policy which can be accessed using the following link: https://www.nh-hotels.com/privacy-policy

Security is integrated comprehensively across all areas of the Company, covering profiles from different areas of operation to guarantee effective risk management, with due regard to the sensitive and critical nature of each environment. There are also risk indicators on the main matters of interest regarding security, that serve to define and implement action plans aimed at reducing or eliminating the threats identified.

In addition, NH Hotel Group has established several e-mail boxes for managing the data protection rights that are raised when personal data is collected, whether from customers, employees and/or suppliers, as well as to notify any type of incident and/or complaint related to data protection matters. Specifically, this last e-mail inbox is the one created for the Data Protection Officer. When a security matter is reported to the Data Protection Officer's email, a process of evaluation of the notification starts in order to determine whether it is of relevant scope for protection purposes. If so, the incident is forwarded to the Departments of NH Hotel Group that could be involved, to assess the need for any communication to a Data Protection Supervisory Authority and/or to any data subjects that may have been involved in the incident. A written record is kept of this entire process.

As a Spanish company, the Supervisory Authority in relation to data protection for NH Hotel Group is the Spanish Data Protection Agency, with which it has regular relations through the agency's online site.

As far as the Company's employees are concerned, in their capacity as users of confidential data, they undergo mandatory training on data protection to ensure that they know how to process this information in compliance with the regulations. This training is provided when they join the Company and is noted and supervised by the Human Resources Department.

As mentioned above, NH Hotel Group has a Data Protection Officer, the duties of which are not just to comply with the requirements of the new regulations, but also to ensure, among other

functions, that customers' rights in relation to data protection are always handled by the organization in accordance with the principles established in the new regulations, and to act as a point of contact throughout the Company to clear up any doubts that may arise in relation to data protection. Finally, NH Hotel Group has continued in 2020 with the improvement project in relation to the quality of data within the organization.

NH Hotel Group has integrated the controls related to compliance with these regulations in its compliance model. Consequently, the risk management and IT departments are ultimately responsible for overseeing these controls, receiving any communication related to information privacy and reporting on a regular basis to the Audit and Compliance Committee and to the Board of Directors.

The Group's compliance is supervised through periodic audits that ensure that NH Hotel Group complies in full with the requisites defined in the legislation on privacy, paying particular attention to the General Data Protection Regulation (GDPR).

The NH Hotel Group risk map contains a pillar called "compliance" linked to data privacy (GDPR) and information security with different management and control measures are in place such as:

- Periodic review and update of the risk matrix.
- "Privacy by Design" procedures.
- Creation of the Data Protection Office with the support of specialised advisors.
- GDPR training for employees.
- Existence of a whistleblowing channel to report possible security breaches related to data protection.
- Existence of a disaster recovery plan.

In the event of incidents in the information systems, NH Hotel Group also has a response procedure which includes roles and responsibilities, steps to follow in order to restore operation of equipment and systems, recovery times, etc.

1,602 hours of training in data privacy and protection

To date no procedures have been initiated that could derive in a fine for the Company on account of a security breach affecting data protection.

Relations with Governments and Policy Influence

The Company manages its business in accordance with its corporate values and its ethical and conduct framework. It also ensures strict compliance with ruling legislation in each country.

In relation to local governments, the Company always acts independently of any political power, maintaining transparency in its dealings with public and administrative institutions.

During 2020, NH Hotel Group has received various subsidies from governments to compensate the restrictive measures taken to mitigate the effects of COVID-19. The total amount of subsidies recorded in the year amounted to €58.8 million, which corresponds to personnel expenses of €36.9 million, social security of €15.8 million and other items of €6 million.

NH Hotel Group is characterized by absolute political neutrality. The Company does not make economic or other type of contributions to political parties or candidates in elections.

NH Hotel Group is, however, part of sectorial organizations or foundations linked to its activity or to the geographical area where it operates. Through its presence in these organizations, the Company aspires to contribute to the progress and development of the places where it is present. More information is available in the Chapter NH ROOM4 Responsible Shared Success: Sustainable Alliances.

PROTECTION OF HUMAN RIGHTS

The principle of respect for and protection of Human Rights is integrated into the culture of NH Hotel Group and is applied to the activities carried on through its professionals, independently of the country or region where the activity is carried out. The Company is committed to complying with Human Rights and works to prevent and manage the risks associated to the breach of such rights. NH Hotel Group's international presence in countries where the defence of human rights needs to be boosted leads us to be transmitters of the concept and to ensure that frameworks of relations and management are in place through which the defence of these rights is assured.

Initiatives for the Protection of Human Rights

NH Hotel Group carries out its activity in a framework of commitment to the society and environment wherever it operates, and therefore accepts the contents of national and international agreements and treaties, committing to promote and comply with them. These commitments will avoid or, as the case may be, mitigate any negative consequences that its activities might cause to Human Rights.

The commitments acquired upon subscribing to these international agreements guide the conduct of all the employees in the Company.

Notable among these codes voluntarily accepted by the Company are the UN Global Compact, support and contribution to the Sustainable Development Goals (SDG) and the Global Code of Ethics for Tourism, approved in 1999 by the Assembly of the UN World Tourism Organization (UNWTO). This code comprises 10 principles designed to guide key players in tourism

development, aspiring to help to maximise the sector's benefits while minimising its impact on the environment, cultural heritage and local communities.

Until 2020, the Group has also been part of the Sustainable Hospitality Alliance, formerly International Tourism Partnership (ITP), a global platform for leading companies in the hotel sector that share a common commitment to social responsibility and sustainability. This organization establishes four main goals which include the protection and promotion of Human Rights, a goal that NH Hotel Group subscribes to and supports.

The Company rejects any touristic activity that might constitute an attack on human rights or human dignity, placing special attention to children. Accordingly, in September 2012 NH Hotel Group joined ECPAT (End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes) for the protection of boys, girls and adolescents against sexual exploitation in tourism, also promoted by UNWTO and UNICEF.

Human Rights Policy of NH Hotel Group

As a sign of this commitment, on July 29th, 2020, the Board of Directors approved the NH Hotel Group Human Rights Policy, a document that sets out all the principles and commitments undertaken by the Company in this regard.



The policy reinforces a sound and responsible governance model, that fosters transparent and responsible management on the basis of a single corporate document with global scope that, among other aspects, will make it possible not only to manage better the risks wherever NH Hotel Group is present, but also ensure knowledge and integration of the policy in the value chain. Through this Policy, the Company commits to play an active role in the promotion of Human Rights and to work proactively to this end. The Policy reflects the commitments already undertaken in this regard and guarantees respect for the labour rights of all employees and contractors, in all the countries where the Company is present, in accordance with ruling law in each region.

Relations with all stakeholders the Code applies to, should always be based on respect for human dignity and non-discrimination. The Company rejects all conduct, behaviour or action likely to

foster, promote or incite, directly or indirectly, hatred, hostility, discrimination or violence against a group for racist reasons or other reasons referring to the ideology, religion or beliefs, family situation, membership of an ethnicity, race or nation, national origin, gender, sexual orientation or identity, illness or disability.

NH Hotel Group emphatically prohibits any kind of hostile or humiliating actions against people, the abuse of authority and any type of harassment, whether physical or psychological, as well as any other conduct that could generate an intimidating, offensive or hostile working environment. Furthermore, no child labour or forced labour is tolerated.

The Company also recognizes that the principle of equality of treatment and opportunities for addressees of the Code of Conduct is a value that inspires its Human Resources policies and is applicable both to the hiring of employees and to training, career opportunities or salary levels, as well as all other aspects of labour relations with employees.

The Code of Conduct also prohibits the imposition on employees of health and safety conditions at work that damage, suppress or restrict their rights as recognized by legal provisions, collective agreements or individual contracts. No form of illegal traffic of labour or fraudulent emigration is permitted, and applicable legislation will be respected at all times with regard to the entry and transit of foreign nationals.

The Code also explicitly states that the exercise of the rights of protest, association, organisation and collective bargaining in the framework of the rules regulating each of these fundamental rights and in accordance with international law and practice, in particular, the United Nations Universal Declaration of Human Rights and the principles proclaimed by the International Labour Organization, will not be unduly limited.

Compliance in relation to Human Rights

As described above, in order to guarantee compliance with the Human Rights Policy, the Internal Audit department supervises the principles and rules reflected in the Policy and, therefore, is responsible for analysing any irregularity related to it.

NH Hotel Group has a whistleblowing channel, in order to make it easy to report any possible irregularity, breach or behaviour contrary to ethics, law and the rules that govern the Company.

Possible breaches of Human Rights are handled through the Internal Audit department, which is responsible for managing the Group's Whistleblowing Channel (codeofconduct@nh-hotels.com).

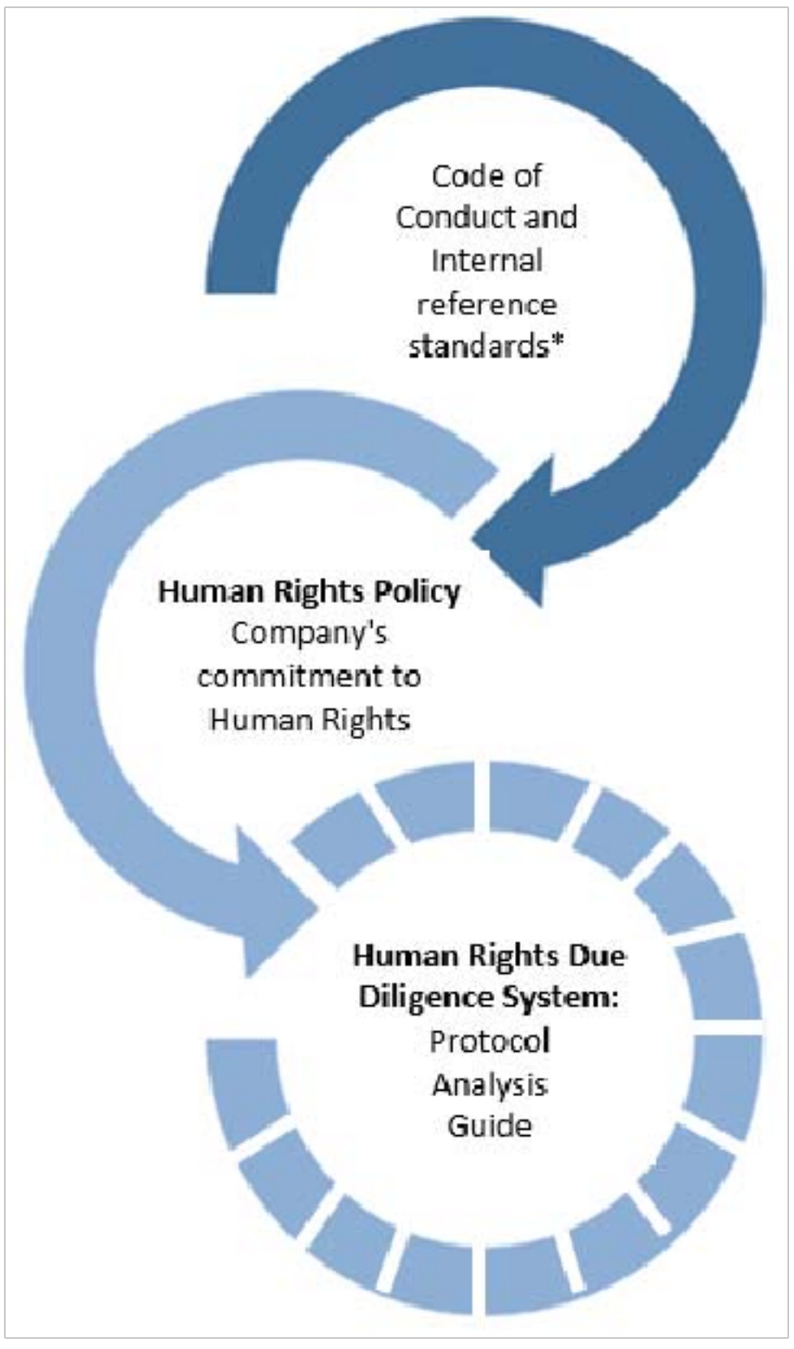
The Company has also put in place a specific external communication channel to report, process and manage incidents reported by suppliers (codeofconduct@coperama.com).

The procedure for reporting and dealing with possible breaches of the Code of Conduct will be managed by the Group's Senior Vice President of Internal Audit.

As was the case in 2019, in 2020 there were no reports relating to a possible breach of human rights.

Human Rights Due Diligence

In the first half of 2020, as part of the corporate strategy, NH Hotel Group initiated a Human Rights Risk Management project which has been implemented in different phases:



- In the first phase, a process was carried out to identify the inherent human rights risks of the Company's global operations with the subsequent publication of the policy that includes the commitment to respect and protect the rights identified in the business.

- In the second phase, a corporate Due Diligence Guide for Human Rights has been drawn up, as a support tool in applying the Protocol to all the Company's operations.
This Guide will serve as an instrument to increase control and efficiency of processes, mitigate the risk of damaging the reputation and favour the correct public positioning of the Company.

- Next steps for the protection of Human Rights: In 2021, NH Hotel Group will work on the Group's due diligence process, to identify potential impacts on Human Rights in the value chain.

As a result of this commitment, Human Rights risks will be identified and monitored on the Company's risk map in order to traction the pertinent mitigation or resolution processes. With this initiative, situations and activities with the highest (direct or indirect) risk of having a negative impact on these rights will be identified and assessed.

RISK MANAGEMENT

Risk management is part of the culture of NH Hotel Group and is integrated across all the Company's operations.

Responsibility for Risk Management

The Company's Board of Directors is the body responsible for supervising the risk management system, in accordance with the provisions of article 5 of the Board Regulations.

As regulated in article 25 b) paragraph 3 of the Company's Board Regulations, the Audit and Control Committee provides support to the Board of Directors in the supervision of the effectiveness of internal control, internal audit and risk management systems, including tax risk management. In this regard, as in previous years, in 2020 the Audit and Control Committee has supervised and validated the update of the Risk Map and the correct implementation of the actions plans that contribute to mitigating the main risks totally or partially.

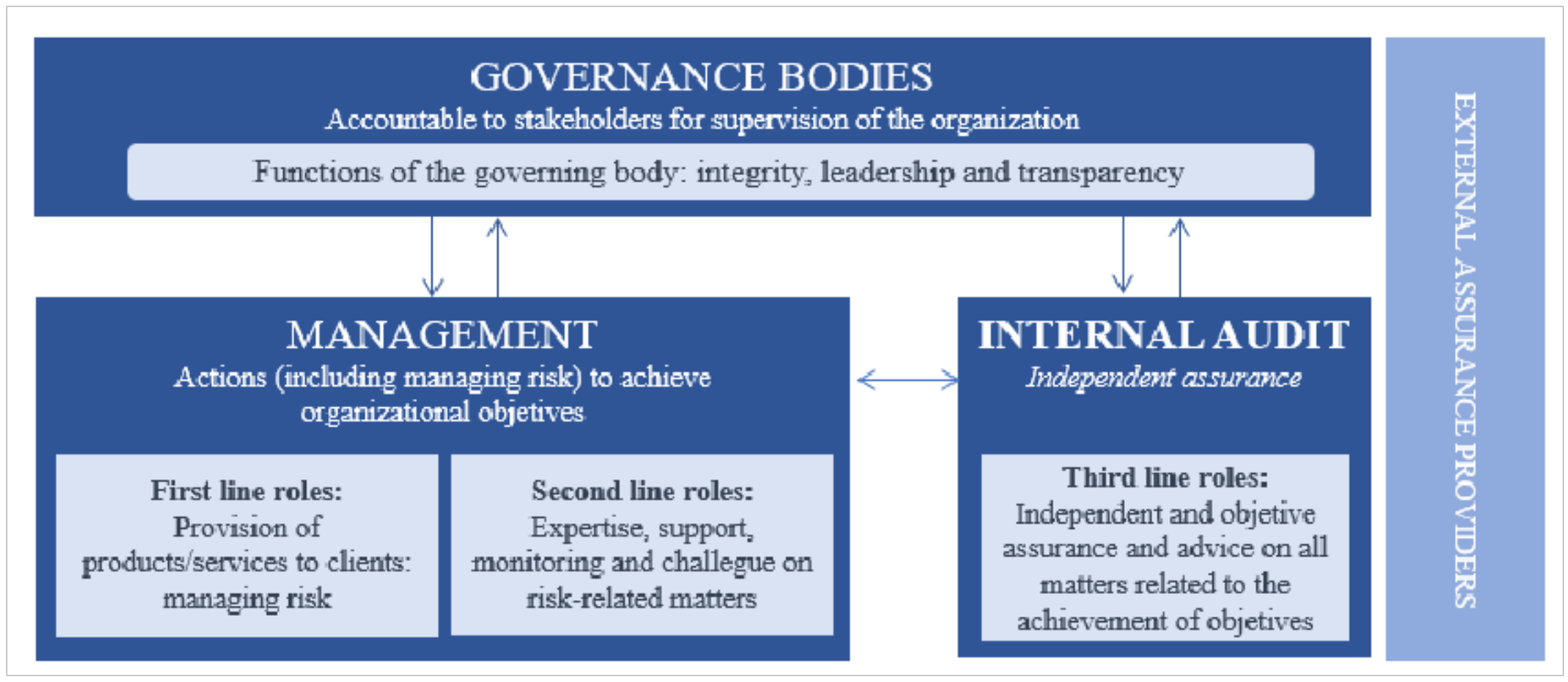
Furthermore, the duties of the Company's Management Committee include risk management and control based on tolerance to risk, assigning responsibility for the main risks, periodic monitoring of their evolution, identification of mitigating actions and the definition of response plans. For these purposes, the Executive Risk Committee, made up of members of the Management Committee and Senior Executives, provides support to the Management Committee in this supervision, as well as promoting a risk culture in the Company. To this end, the Company has an internal risk management manual that details the principles, processes and controls currently in place.

The Risk Management function, integrated in the Internal Audit department, is responsible for ensuring that the Company's risk management and control system operates correctly and is linked to the strategic goals.

To ensure that there are no conflicts of independence and that the risk management and control system of NH Hotel Group works as planned in the Corporate Risk Management Policy, an independent third party periodically reviews its operation.

Also, and as guarantee of independence, the Risk Management function is independent of the Business Units and, like the Internal Audit department, is functionally dependent on the Audit and Control Committee.

In line with the above, NH Hotel Group follows the Three Lines model updated in July 2020 by the Institute of Internal Auditors (IIA) on a worldwide level.



- First line of defence: provided by the functions (Business Units and Corporate Units) that own the risks and their management (Operations, Sales, Marketing, etc.).
- Second line of defence: provided by the functions in charge of overseeing the risks (Risk Management, Compliance, Data Protection, Internal Control, etc.)
- Third line of defence: undertaken by the Internal Audit function which provides independent assurance.

The object of the Corporate Risk Management Policy of NH Hotel Group (approved in 2015 by the Board of Directors), and the internal manual developing it, is to define the basic principles and the general framework of action for the identification and control of all kind of risks that could affect the companies over which NH Hotel Group has effective control, and to assure alignment with the Company's strategy.

There is also a range of specific policies that complement the Corporate Risk Management Policy, and which are established in relation to certain specific risks:

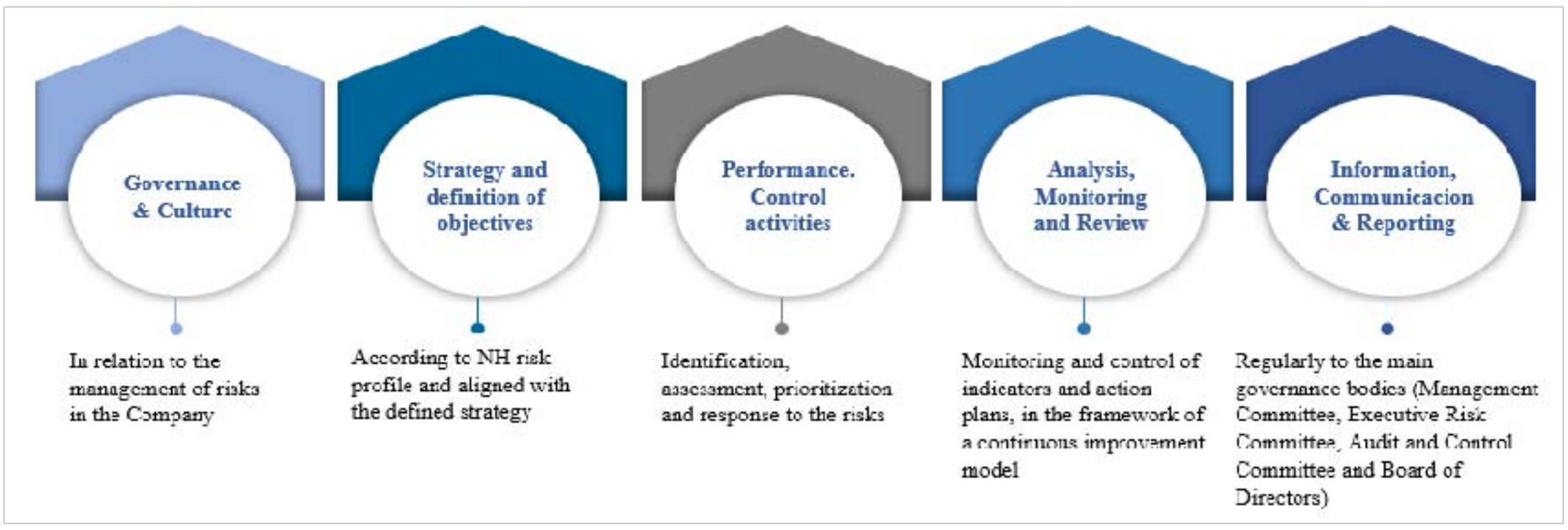
Procurement policy	Antifraud and corruption policy
Travel policy	Policy for the prevention of money laundering and terrorist financing
Environment and Energy Policy	Corporate Responsibility Policy
Information security policy	Financial debt policy
Corporate credit policy	Code of Conduct
Corporate tax policy	Internal Rules of Conduct (IRC)
Corporate gifts policy	Human Rights Policy
Shareholder and investor Communication Policy	

Risk management model

NH Hotel Group's risk management model, which has been rolled out both in the corporate headquarters and in the Business Units, seeks to identify events that could have a negative impact on the attainment of the goals of the Company's Strategic Plan, obtaining the highest possible assurance for shareholders and stakeholders, while protecting the Company's interests and its reputation in the short, medium and long term.

The model established for risk management is based on the COSO ERM 2017 integrated framework of Enterprise Risk Management and encompasses a range of methodologies, procedures and support tools, that allow NH Hotel Group to:

- Adopt suitable governance in relation to risk management in the Company and promote an appropriate risk management culture.
- Ensure that the objectives defined in the Company are aligned with its strategy and its risk profile.
- Identify, assess and prioritise the most relevant risks that could affect the attainment of strategic goals. Identify measures to mitigate such risks and establish action plans in line with the Company's risk tolerance.
- Monitor periodically the action plans established for the main risks, in the framework of a continuous improvement model.
- Report periodically to the Company's main governing bodies on the status of the main risks and the actions plans.



Risk categories and identification, supervision and monitoring process

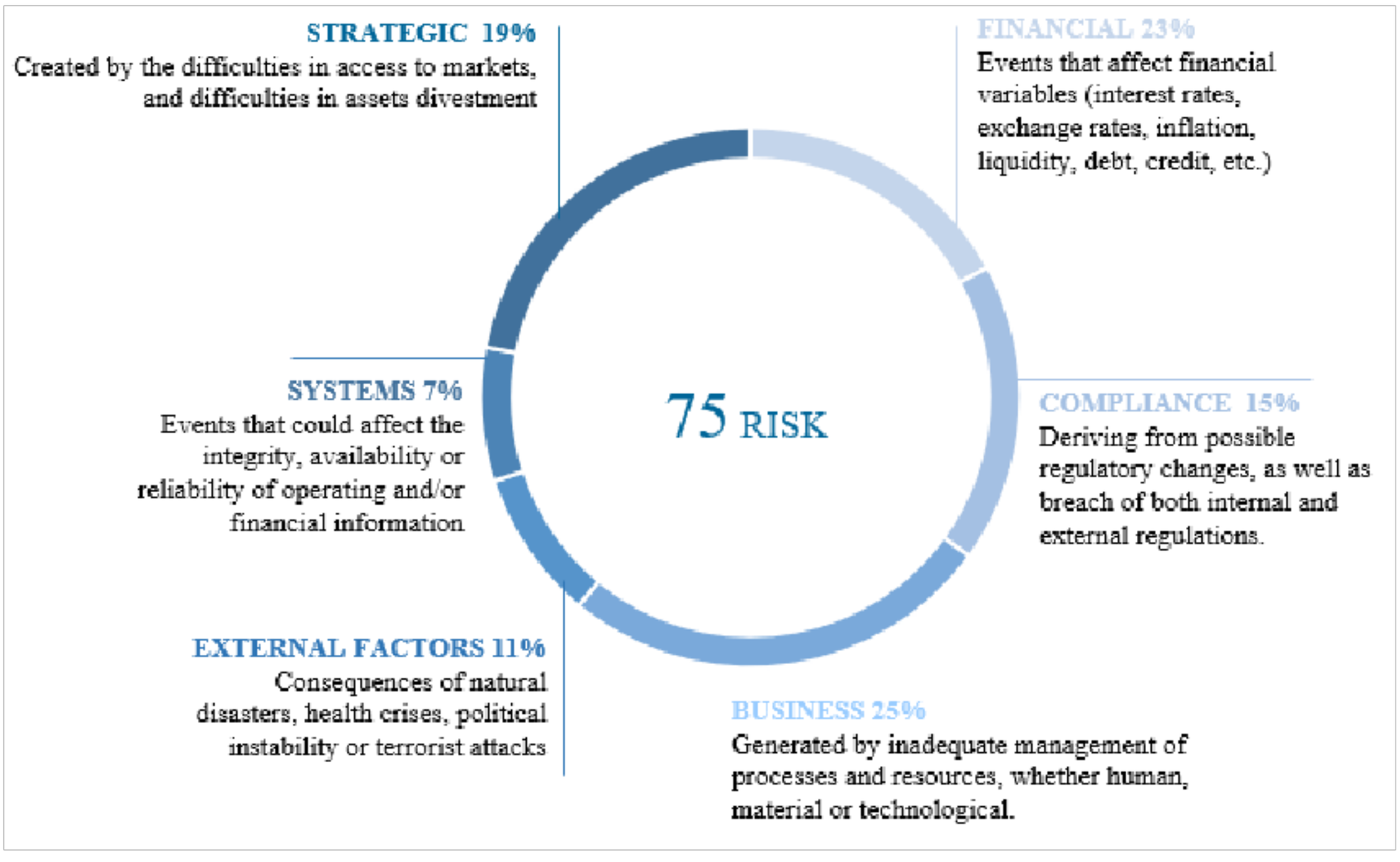
The Group's Risk Map is updated every year and approved by the Board of Directors, after being reviewed and validated by the Audit and Control Committee. In 2020, the Company has updated its Risk Map through a process in which 22 Senior Executives from all Departments identified and assessed the main risks faced by the Company. The updated map was approved by the Board of Directors at its meeting held on July 29th, 2020.

For the main risks in the Risk Map, the Audit and Control Committee receives periodically a report on the implementation status of the previously agreed action plans.

In addition, each of the main risks in the Risk Map is assigned a risk owner, who is a member of the Management Committee.

Every year, when the Risk Map is updated, the Risk Management function undertakes a reassessment of the catalogue of risks, both financial and non-financial. The final catalogue is validated with the Senior Executives who participate in the process, as well as the bodies involved in its validation (Management Committee, Executive Risk Committee, and Audit and Control Committee) and approval (Board of Directors). In addition, during the year the risk owners can report/suggest a new risk to the Risk Office if they consider it necessary.

The risks to which NH Hotel Group is exposed to are classified into the following six categories:



In line with the COSO methodology, NH Hotel Group uses the concepts of inherent and residual risk. Inherent risk is considered to be the risk that exists without taking into account the mitigating effect of the controls put in place by the Company. Residual risk, however, does consider the effect of these mitigating controls, and is therefore known as the risk level that persists after applying all the control measures in place at NH.

ESG risks

Of the 75 risks identified in the Company's risk catalogue, an analysis was performed to identify the risks related to ESG (Environmental, Social and Governance) criterion.

As a result, it was determined that 24 out of the 75 risks, 32% of the total, are related to Environmental, Social and Governance matters. Most of them come under the categories of "Business" and "Compliance" risks.



Risk factors and management and control measures

Risk Trend (RT)	
↑	Increase
↔	Stable
↓	Decrease

Category	Risk event	Description of the risk	RT	Control and management measures
Business	Labour legislation/collective agreements	New labour legislation or changes in conditions in collective agreements, as well as different interpretations of legislation could have a significant impact and affect financial conditions and business results.	↑	Presence in associations in the tourism sector. Presence on committees of sector experts. Institutional relations with various bodies. Presence of specialized HR personnel at the negotiation of collective agreements. Collaboration with HR consultants.
Strategic	Distribution channels (internal and external) and maximisation of ADR (average daily rate)	Online travel agencies (OTAs) and distributors continue to increase their market share and NH must put measures in place to counter this by increasing sales through direct channels (Hotel, Website, Central Reservation System) or by renegotiating commissions. The loss of control over the price in direct channels compared to other distribution channels should also be considered, in light of the liberalisation of scraping/crawling tools and technologies in distribution and price. Finally, it is necessary to ensure that pricing projects are not delayed so that NH can maximise the net ADR. The capacity to negotiate commercial conditions should also be considered.	↑	Existence of a Revenue Management Committee. Optimised budgeting process Periodic analysis of results compared to budget and definition of action plans. Control process over intermediary commissions. Corporate commission policy. Definition of a Strategic Plan aimed at boosting sales through direct channels (Hotel, Website, Central Reservation System). NH Rewards loyalty programme. Analysis of price competitiveness (price parity compared to OTAs and distributors). Technological tools to improve pricing and revenue management. Optimised calculation of net ADR using Business Intelligence techniques. OTA diversification strategy and renegotiation of intermediation costs. Periodic analysis of competitors' results by market using external reports.
	Dependence on city and business segment	Any change in patterns in this segment will affect the Company with a limited possibility of mitigating the effect through other segments.	↑	Existence of an Expansion Committee. Implementation of the Office for Integration with Minor International (main shareholder). Periodic attendance to hotel sector investment conferences. Organization of regular meetings with possible investors to develop hotel projects.
	Inability to find additional growth	Inability to find additional ways of growing that permit sustainable and resilient growth that will safeguard the Company's future. NH should be capable of developing and executing a suitable Expansion/Growth Plan to counter the reaction of its competitors and assure continuous growth.	↔	Existence of a documented expansion process (lease and management agreements). Definition of a Strategic Plan aimed at boosting the Company's growth by geographical area, type of contract, brands, segments, etc. Implementation of the Office for Integration with Minor International (principal shareholder).

Compliance	Data privacy (GDPR)	Possible breaches of the General Data Protection (GDPR), together with the uncertainty regarding the behaviour and attitude of the regulator in the event of potential privacy breaches, could compromise the Company's objectives. Furthermore, the costs and risks deriving from inadequate data protection and management increase as the Companies face more and more advanced security breaches.	↑	Periodic review and update of the data processing activity matrix for each company in the NH Group "Privacy by Design" procedures. Creation of the Data Protection Office supported by specialist advisors. Online GDPR training for all employees. Existence of a computer tool for reporting possible security breaches related to data protection. Existence of a Disaster Recovery Plan.
Financial	Changes in accounting standards	New accounting standards and regulations (e.g., IFRS16, IAS29), as well as varying interpretations of accounting standards currently in force could have a significant impact on the Company's financial statements.	↔	Implementation of a contract management computer tool that covers IFRS16. Specialised advising on new regulations. Periodic attendance to conferences on changes in accounting standards given by specialised advisors (external audit firms). Internal assessment of possible impacts of new accounting standards. Training courses on new accounting standards for the corresponding internal personnel.
	Adverse effects of the exchange rate	NH operates in countries subject to fluctuations in exchange rates (e.g., Mexico, Colombia or Argentina) and therefore the financial results could be affected.	↔	Periodic monitoring of the impact of the exchange rate of the main local currencies. Specific cash repatriation plans from local currency to strong currency (e.g., USD). Specific strategies to manage the exchange rate effect by country (e.g., dollarization of revenues).
	Adverse effects of the inflation rate	NH operates in countries such as Mexico, Colombia or Argentina in which results may be affected by fluctuations in the rate of inflation. Furthermore, some of these economies are hyperinflationary and therefore NH should monitor the effect of inflation on the most relevant operating costs (e.g., rent and salaries).	↑	Periodic monitoring of collective agreement negotiation. Analysis and review of the main sources of operating costs (housekeeping, food and beverages, energy, water, etc.). Monitoring of the correct application of IAS29 due to hyperinflation in Argentina.
External factors	Change in economic cycle	The contraction of the global economy (or low levels of economic growth) could have a negative effect on NH's revenues and profitability and slow the Company's future growth.	↑	Definition of a Commercial Strategic Plan aimed at diversification and strengthening of segments. Operational optimization and efficiency projects Asset Repositioning Strategy.
	Geopolitical risks (terrorism and political instability)	NH operates in countries where there is a risk of suffering terrorist attacks. This could cause a reduction in sales due to the "panic effect" on tourism. It could impact travel/tourism patterns in the affected areas and lead to an increase in insurance premiums and in security costs. The occurrence of a terrorist attack could cause damage to one or more NH properties the value of which is not fully covered by the current insurance policy. NH also operates in certain countries subject to political instability or uncertainty that could affect business decisions or financial results (e.g., Brexit, Spain/Catalonia, Italy, Mexico, etc.) This also includes the possible impact of the Helms-Burton Act on possible lawsuits against NH in courts in the USA (Cuba, Sotocaribe, etc.).	↔	Existence of a communication protocol in the event of a crisis. Existence of a Business Continuity Plan and a Disaster Recovery Plan. Quarterly analysis of the economic and geopolitical situation in regions where NH operates and assessment of the impact on the Company's operations. Existence of an Executive Risk Committee. Policy covering short term after a terrorist attack. Documented Risk and Insurance Management process.

External factors (cont.)	New competitors in the tourism sector	The use and popularity of collaborative economic service providers, such as Airbnb, has grown enormously in recent years. These companies compete against traditional suppliers of accommodation such as hotels or hostels and could impact demand for such traditional types of accommodation or even force traditional accommodation models to modify their business model or their cost structure in order to compete effectively. Furthermore, NH is subject to intense competition from other hotel chains, and from specialist or independent hotel operators. The increase in hotel supply in some of the main cities where NH operates, as well as the creation of new business models or the repositioning of hotels are examples of initiatives by competitors. Finally, large market concentrations due to mergers and acquisitions could threaten NH's market share.	↑	Presence in local and/or national associations in the tourism sector. Presence on committees of sector experts. Institutional relations with various bodies. Pilot projects with technological tools to monitor results of collaborative economy service providers in the main city locations where the Company is present. Operational initiatives aimed at attracting families to NH accommodation.
Systems	Cyberattacks	The number of cyberattacks continues to increase significantly as the attacks become more sophisticated and the methods diversify. The damage deriving from such incidents may lead to financial losses or the loss of intellectual property, which makes it necessary to reinforce the current strategies for the mitigation of cyber risks. Cyberattacks could cause a loss of sensitive information of the business or customers (including credit card data), business interruptions, lawsuits deriving from system interruption, and other costs and liabilities.	↔	Existence of a corporate Security Policy. Periodic intrusion testing to detect vulnerabilities in systems and communications. Perimeter security measures. Periodic analysis of malware, viruses, etc. Cybersecurity awareness campaigns. Online training in cybersecurity for all employees. Information Security Management System based on international standards. Annual audit by an external firm of compliance with PCI-DSS regulations.
	Inability to keep up with technology	NH's current operations and its technological infrastructure may not be capable of meeting performance expectations in relation to quality, business operations, cost and innovation as effectively as our competitors, especially competitors that were "born in the digital age" and have a low-cost structure for their operations, or even competitors with a long history and larger operations. Accordingly, NH needs to keep up to date in relation to the technological developments necessary to support its operations and its business adequately and compete effectively. Finally, the inability of NH's systems and processes to meet the Company's demands and the speed of its growth must also be taken into account, as well as the difficulty in having the necessary resources to face this challenge.	↔	Existence of periodic controls to monitor the performance of NH's technological platforms. Recurring analysis to ensure that versions of the systems are kept up to date. Attendance to events and meetings with suppliers and specialised consultants to keep abreast of new technological developments. Analysis of business and technological requirements and coordination between departments in projects for the integration of hotels in the portfolio. Performance analysis of the customer booking process on the NH website and using the mobile app. Recurring review of the NH web download time on mobile and desktop devices. FastPass initiative, combination of three innovative services: Online Check-in, Choose Your Room and Online Check-out. Existence of a Digital Evolution Plan (DER).
	SAP/website crashes	NH is currently operating with SAP systems both in back-office and front-office. If there is a crash in SAP, NH might not be able to bill its customers or might have to stop the activity of the administration department. Furthermore, NH's revenues depend on the success and availability of the website.	↔	Existence of a documented process that details the tasks and actions to be carried out at operational level in the event of system shutdowns (whether planned or unplanned) to mitigate the impact on the operation. The measures detailed above for the risk of cyberattacks (intrusion testing, perimeter security, analysis of malware and viruses, etc.).

Emerging risks and new challenges

Emerging risks are risks that are expected to have a significant impact on the Company's operations and, therefore, on its financial results in the long-term future (from 3 to 5 or more years), although in some cases they may have already started to impact NH Hotel Group's business now.

Accordingly, during the periodic process of supervision and monitoring of risks in the Executive Risk Committee and in the Audit and Control Committee, as well as during the annual risk identification and assessment process, the Company has adequate mechanisms to ensure that emerging risks and new challenges are taken into consideration and given an adequate response. The final result of this analysis is reflected in the corporate Risk Map which is submitted annually to the Board of Directors for approval.

Additionally, risk owners can report at any time any emerging risks or new risks detected, so that the Risk Office can proceed to analyse and consider them.

The emerging risks that the Company has already detected and on the monitoring and analysis, impact assessment and mitigation of which it is working, are described below:

EMERGING RISKS IDENTIFIED IN 2020

Risks related to social behaviour patterns | Collaborative economy, changing customer preferences, demographic changes

In light of the changes in consumer behaviour (with a shift towards self-service options and apartment and house swaps) and the arrival of new market players whose offers and business models alter the codes of the hotel industry, NH Hotel Group needs to expand its offer to diversify the opportunities proposed to travellers and meet their expectations better, while attracting new guests. If the Group does not detect new consumer behaviours and does not respond quickly by offering suitable experiences to its guests, its market share and level of activity could be adversely affected, with a negative impact on both revenues and net income.

The Group responds to these changes by adapting its products and services to the new generations and new businesses. We have an Innovation Committee dedicated to exploring new business and new innovation opportunities to strengthen the Group's experience when it comes to offering specific disruptive solutions to guests and preparing growth in the future.
To take advantage of the growing attraction of the market towards distinctive brands with a strong personality, which offer an excellent work environment for urban nomads and an ideal meeting place, the Group has also opted to redouble its efforts of expanding its nhow brand in one of the fastest-growing segments in the hotel industry, referred to as "lifestyle ".

Technological risks | Cyberattacks, information security, technological innovation

The Group's business is based on a variety of processes and software that support both employees and guests when their book their stays. Some of these processes and apps depend on complex information systems and IT infrastructure to collect, process and store growing quantities of operational and strategic data which are essential to support the value creation process. These data, which are collected, sorted and processed directly by the Group or by external service providers, may suffer accidental or malicious damage. The Group's systems could suffer directly or indirectly the consequences of viruses, service refusal or other attacks, hardware or software technical breakdowns, sabotage, intrusion or piracy, that have a negative effect on the availability and integrity of data as well as the confidentiality of such data. These threats may also arise internally due to malicious intent, errors or derived from possible obsolescence of infrastructures. Whatever their origin, any alteration, theft, disclosure or unavailability of the Group's data could have a negative impact on the attainment of its strategic objectives.

Assuring the security, protection and availability of strategic data is a priority for the Company. The Information Systems Security Department has the task of protecting the entire infrastructure, the IT systems and software needed for the Group's operations. Its function consists of:

i) preventing intruder access, viruses and attacks through the administration of all the dedicated system hardware and software security and conducting intrusion tests,
ii) carrying out awareness-raising campaigns and training for employees (for example, alerting on phishing risks).

As far as payment methods are concerned, every year the Company renews its PCI DSS certification, a key factor in the prevention of risks that affect guests' bank data.

In addition, NH Hotel Group has a business continuity plan to guarantee the continuity of operations and preserve data confidentiality.

Risks related to climate change | Natural disasters, extreme weather phenomena and regulatory

In most of the countries where NH operates, the Group is exposed to the risk of extreme natural events (such as earthquakes, floods, snowfall and cyclones) the frequency and / or gravity of which may be amplified by climate change.

The occurrence of any such event could have a direct or indirect impact on guests and employees, but also on the Group's business and assets, adversely affecting its activity and compromising its financial situation.

Protecting guests and employees is a priority for the Group. For this reasons, permanent or temporary protection measures are implemented as soon as these risks are identified, such as evacuating hotels in accordance with the Group's procedures. For seismic risks in particular, drills are carried out periodically by the teams in the countries identified (such as Mexico), so that they can respond efficiently in the event of an earthquake. The Group's extensive geographical distribution helps to limit the potential impact of these risks on the Company's consolidated results.

Furthermore, regulatory changes such as the European Union Green Deal towards an economy that is efficient in the use of resources and neutral in carbon emissions, will have an impact for the Company in terms of investments, hotel renovations and new acquisitions.

Aware of the effects of climate change, and with the aim of managing operating costs more efficiently, the Group is taking measures to limit the carbon emissions generated by its operations and its entire value chain. More information on NH Hotel Group's climate strategy can be found in the section NH ROOM4 Planet.

Certain geopolitical risks | Terrorism, change in economic cycle, political uncertainty and, to a lesser extent, Brexit

The evolution of the geopolitical situation exposes the Group to the risk of terrorist attacks, among others, in the countries where NH operates. The occurrence of such events could have a direct or indirect impact on guests, employees, business and assets, and have a negative effect on the attainment of the Company's strategic objectives. Furthermore, acts of terrorism, political unrest or the outbreak of war would affect tourism and the Group's business (by causing a fall in the number of guests, closure of hotels and abandoned development projects) in the regions in questions, as well as threatening the safety of employees.

Protecting guests and employees is a priority for the Group. To do so effectively against the main threats identified, the Group has developed a safety and protection strategy aligned with the severity of the estimated risks. The strategy is based on an organization, a system of monitoring and security that evolve in line with the evolution of each situation. These measures are designed to guarantee the safety of employees, guests and assets, while also assuring the continuity of operations. In the event of an alert, the internal crisis management system is activated immediately to guarantee the safety of our guests and employees. Damage to property is covered by the Group's insurance programme.

Risks deriving from external factors | Pandemics, strikes, both internal (hotel personnel) and external (e.g., air traffic controllers)

The Group's operations may be affected by epidemics in the regions where it welcomes guests or by worldwide epidemics. In 2020 and so far in 2021, NH Hotel Group, like all the hotel companies in the world, has suffered the consequences of the COVID-19 pandemic which has caused a fall in the hotel occupancy rate and in events due to the health restrictions in place in all countries. Revenues have been negatively affected even though the Group has contingency and business continuity plans that partially mitigate the fall in revenue while contributing to safekeep the health and safety of its guests and employees.

NH ROOM4 SUSTAINABLE BUSINESS

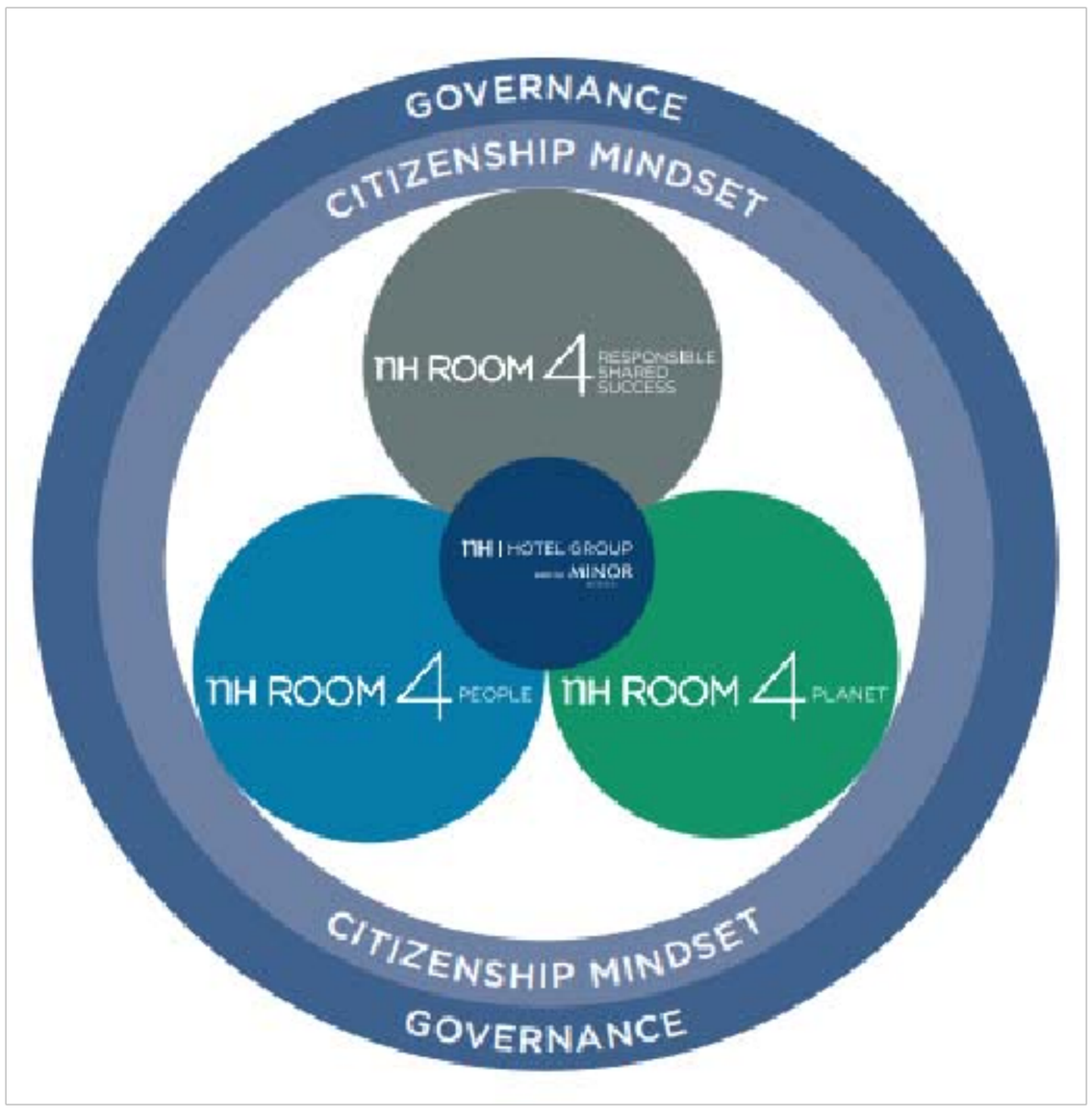
NH Hotel Group carries out its hotel activity with the ambition of spearheading responsible behaviour, creating shared value at an economic, social and environmental level wherever it is present. With this philosophy, in 2020 the Company has continued with its strategy, in which one of the pillars is **NH ROOM4 Sustainable Business**, a key part of the Company's global strategy.

The strategic vision of **NH ROOM4 Sustainable Business** is in turn based on three main management levers: **NH ROOM4 People, NH ROOM4 Planet and NH ROOM4 Responsible Shared Success,** all framed under the same premise of **sustainable and ethical principles,** responsible culture and **a citizenship mindset**.

Convinced that it is going in the right direction to achieve its next goals regarding sustainability, the Company is aligned with the Sustainable Development Goals (SDG) to which it can contribute and is therefore committed to continuing to create long-term value globally, in the context of Agenda 2030.

NH ROOM4 Sustainable Business MODEL

For NH Hotel Group, the strategy is based on "NH ROOM4 a better world". In line with this, management of the Company's corporate responsibility, **NH ROOM4 Sustainable Business**, is articulated around three lines of action: **NH ROOM4 People**, **NH ROOM4 Planet** and **NH ROOM4 Responsible Shared Success**:



NH Hotel Group promotes internal professional development and creates social projects in the communities where it is present.

NH Hotel Group is committed to the environment and shows those through sustainable products, reduction in consumption and the fight against climate change.

NH Hotel Group conveys human rights and ethical business principles in the way it works throughout its value chain: customers, owners and suppliers, promoting responsible alliances.

GOVERNANCE

Management of the Sustainable Strategy

Organization structure focused on Sustainable Business, to ensure implementation of the strategy.

Accountability

Reporting on sustainability and sustainable business as an opportunity for continuous improvement and monitoring and demand for transparency.

Corporate Governance & Compliance

With the aim of conveying the ethical and responsible business principles and the commitment to Human Rights that guide the way NH Hotel Group works.

CITIZENSHIP MINDSET

In their everyday activity, **each employee** can do things in the most sustainable way and under a citizenship mindset.

Activation of a **fluid communication style** and the recognition of the responsible and sustainable commitment by employees.

Volunteering is the key to the rollout of the sustainable business commitment with employees. Without their participation, no initiative would have the desired impact. NH Hotel Group is made up of people who are passionate about service, and that is its strength.

Customers

Providing a unique experience and innovative range of services and involving customers in NH Hotel Group's sustainable and responsible projects.

Suppliers

Establishing effective dialogue with suppliers to develop innovative and sustainable solutions.

Continuing to increase social and environmental criteria in selecting partners.

Alliances

Promoting long-term alliances with all kind of organizations: other companies, public administrations, non-profit organizations, multilateral bodies …

Employees

Promoting equal opportunities to be recognized as a leading company in diversity.

Community

Youth employment – Investing in training and career support for young people, especially those who are in an underprivileged situation.

Hotels with a heart – Continuing to use the potential of NH Hotel Group as a hotel chain to provide accommodation for hospitalized children and their families.

Climate Change

The fight against climate change at the core of strategic planning at business level and for NH Hotel Group's risk management.

Energy and water

Increasing and improving production with green energy with onsite facilities, renewable energy sources and water optimisation.

Waste and Circular Economy

Working with suppliers to create opportunities and synergies in circular economy.

NH Hotel Group, recognized as one of the most sustainable companies in the sector in the world

In 2020, NH Hotel Group participated voluntarily for the second time in the Corporate Sustainability Assessment (CSA) 2020 carried out by the sustainable investment agency SAM, the assessment generates a world ranking in sustainable performance of companies from different sectors.

The Company has earned third place in the ranking, standing out as one of the most sustainable leaders in the sector compared to the companies included in the Dow Jones Sustainability Index. This result consolidates NH Hotel Group as one of the benchmark companies for sustainability in the industry worldwide and confirms the Company's strong position in its social, environmental and economic performance. In this exhaustive assessment, NH Hotel Group has been rated "best in its class" in the industry in nine of the 23 criteria assessed: customer relationship management, supply chain management, tax strategy; environmental reporting; climate strategy; social reporting; labour practice indicators; human capital development and occupational health and safety. It even received the highest possible score in six of these criteria: customer relationship management; tax strategy; environmental reporting; climate strategy; social reporting and human capital development.

NH Hotel Group, which has had an excellent performance in terms of sustainability in recent years, will continue to build a Responsible Business, one of the pillars of the Company's strategy.

PRESENCE OF NH HOTEL GROUP IN SUSTAINABILITY INDEXES AND RANKINGS

Sustainability Award Bronze Class 2021 S&P Global	NH Hotel Group has been ranked third among the most sustainable hotel chains in the world, thus consolidating its position as one of the benchmark companies in sustainability in the industry worldwide, after being assessed for a second year by SAM, the sustainable investment agency that assesses the companies that make up the Dow Jones Sustainability Index.
Sustainability Award Industry Mover 2021 S&P Global	The commitments in this field and the improvement that NH Hotel Group has shown during this year have earned it a Bronze Class award in in S&P Global's Sustainability Yearbook 2021. In addition, NH Hotel Group has been recognised as an "Industry Mover" due to the great progress achieved in one year.
FTSE4Good	Since 2013, NH Hotel Group has been included in the FTSE4GOOD index and renews its presence year after year, thanks to the responsible management of the business and the improvements made. The index was created by the London Stock Exchange to help investors integrate environmental, social and corporate governance (ESG) factors in decision making.

NH Hotel Group has been included for the second time in the Bloomberg gender-equality index 2021 and is the only Spanish hotel company among the 380 companies included in the index.
The Company has obtained its best results in salary equality and parity, thanks to its compensation policies based on gender equality and on the fight against the pay gap. This has confirmed aspects that were already known, such as the positive presence of women at all levels of responsibility in the Company.

Carbon Disclosure Project recognizes the efforts made by leading global companies in the battle against climate change. In the last report dated December 2020, NH Hotel Group obtained a rating of B in the annual ranking. With this rating, NH Hotel Group once again sees recognition of its pioneering vision to place sustainability as a strategic value that has acted as lever for value across the Group for more than a decade.

MATERIALITY ANALYSIS

The materiality analysis is key in NH Hotel Group's Corporate Responsibility management process, both for reporting purposes and in defining the strategy, initiatives and the establishment of dialogue with stakeholders.

The objectives of the update of the materiality analysis are as follows:

- Comply with the requisites of the non-financial reporting directive.
- Determine the relevant aspects to guide the Company's Corporate Responsibility strategy.
- Respond to the requisites of the Global Reporting Initiative for sustainability reporting.
- Identify the expectations of stakeholders as the basis for reputation management.

In 2020, NH Hotel Group has updated this analysis in order to define the contents of this Report and prioritize the relevant matters, based on the Materiality Study for 2019. This process involves the following phases:

Identification of relevant matters

Material matters have been identified based on an analysis of internal and external sources that have made it possible to determine a preliminary list of relevant matters for NH Hotel Group and for its stakeholders.

For this year's update, 26 material matters have been identified based on an analysis of the current context, ESG criteria, analysis of global trends, the standards of the Global Reporting Initiative (GRI) and the United Nations 2030 Agenda. As a new feature, and in line with the current circumstances in which the Company finds itself, an analysis of trends that shows the impact of COVID-19 on the business has been included.

Strategy and priorities for NH Hotel Group	– Company Strategy. – Sustainable Business Strategy. – NH Hotel Group Materiality 2019. – Non-Financial Information Statement – Sustainable Business Report 2019.
Sustainable Development Goals – SDG	– SDG in which NH Hotel Group has a direct and indirect impact and its specific goals.
Prescribers and trends in the sector	– Key sustainability goals defined by the International Tourism Partnership (ITP) – SASB Materiality Map ® – Sustainability Yearbook 2020 issued by SAM. – Carbon Disclosure Project (CDP) ranking – Climate Change
Impact of COVID-19 on the hotel sector and on tourism	– Webinars related to the impact of COVID-19 on the hotel sector.

Subsequently, a semantic review of the matters is carried out with the aim of linking similar concepts or areas and integrating them in the terms of NH Hotel Group and the hotel sector's business approach. The matters have been grouped according to the different pillars of the Sustainable Business Strategy.

SUSTAINABLE BUSINESS PILLARS		NH HOTEL GROUP RELEVANT MATTERS 2020
Governance	1	Sustainable financial growth.
	2	Regulatory environment.
	3	Recovery plan.
	4	Good practice in Corporate Governance.
	5	Ethical commitment and transparency.
	6	Protection of Human and Labour Rights.
	7	Management of financial, non-financial and emerging risks.
	8	Innovation and technology.
	9	Communication channels and dialogue with stakeholders.
NH ROOM4 People	10	Talent, training and professional development.
	11	Culture of equality, diversity and inclusion
	12	Employee engagement
	13	Safety, health and wellbeing
	14	Corporate volunteering
	15	Positive impact on the local community and culture
	16	Promotion of youth employment

SUSTAINABLE BUSINESS PILLARS	NH HOTEL GROUP RELEVANT MATTERS 2020	
NH ROOM4 Responsible Shared Success	17	Sustainable alliances
	18	Responsible and local value chain
	19	Unique experiences for clients
	20	Service quality and satisfaction
	21	Fostering sustainability among customers
NH ROOM4 Planet	22	Green energy and energy efficiency
	23	Responsible water management
	24	Fight against climate change
	25	Sustainable hotel services
	26	Waste management and circular economy

Prioritisation

The material matters are prioritised on the basis of two variables:

- **Impact on the business.** Importance of each matter in NH Hotel Group's business activity, taking into account the strategy, trends in the sector, sectorial and sustainability prescribers, and the evaluation of the different areas of the Company that have relations with stakeholders, such as Communication and CSR, Human Resources, Environment or Procurement. As indicated above, this year an additional variable has been added showing how the current health crisis is impacting the Company.

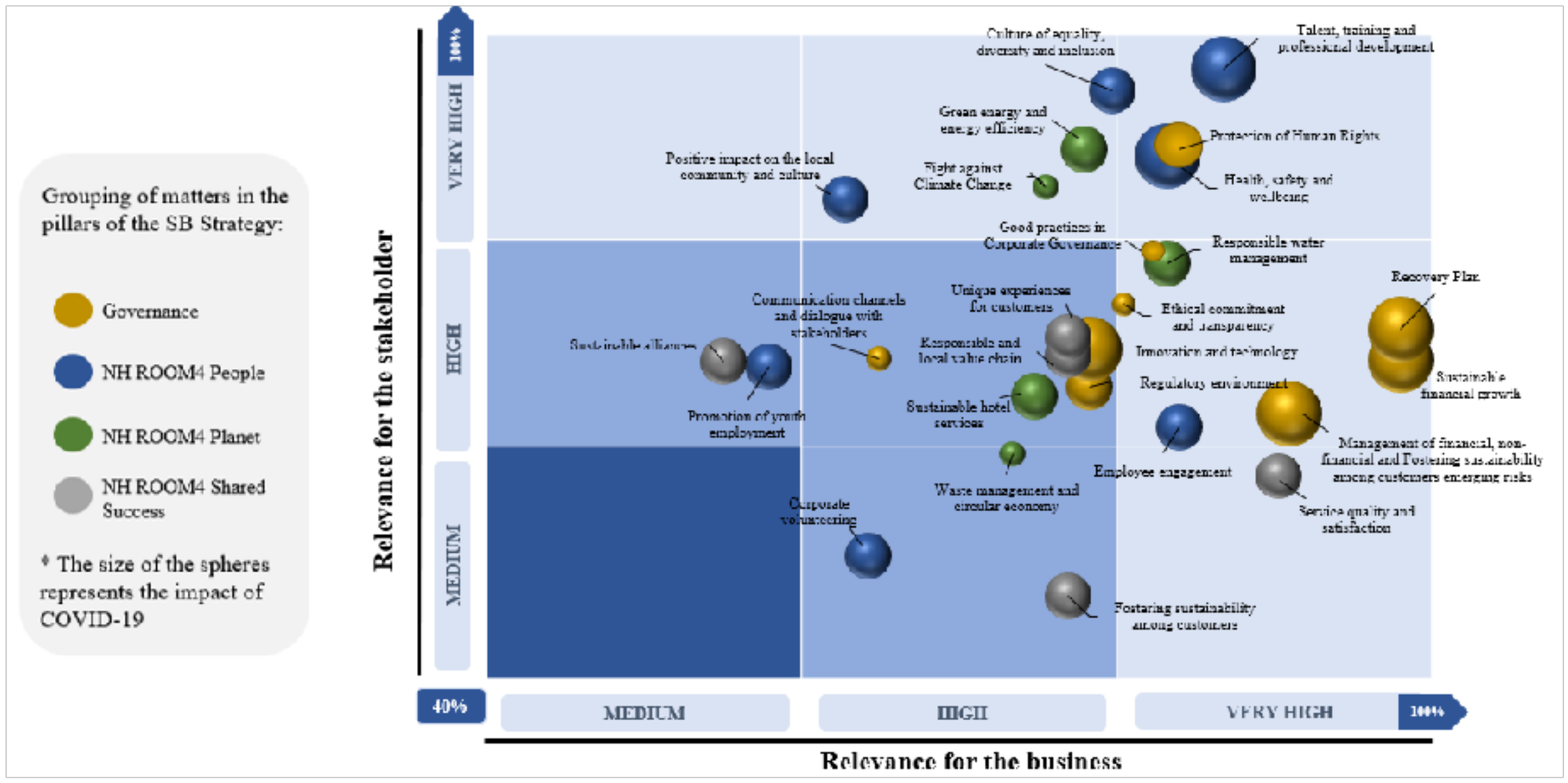
- **Impact on stakeholders.** Importance of each matter among the different stakeholders based on the available information of NH Hotel Group, trends and social concerns, the UN Sustainable Development Goals –SDG–, and the discussions in the media on these matters.

Validation and Materiality Matrix

The prioritisation is validated internally by the Sustainable Business area of NH Hotel Group, with the aim of comparing the relevance of the material matters and their importance in relation to the business goals.

The analysis of the results has taken into account both internal and external weighting. This prioritisation is used to draw up the Materiality Matrix for the Non-Financial Information Statement - Sustainable Business Report 2020, in line with the two axes of relevance:

- Impact on the business.
- Impact for external stakeholders.



NH HOTEL GROUP AND THE 2030 AGENDA

For the purpose of focusing the business model on a hotel model committed to sustainable development, through the Sustainable Business Strategy, NH Hotel Group generates value for the different stakeholders in the places where it is present. In this context, the Company has impact and a capacity for influence in a total of 12 Sustainable Development Goals.

Sustainable Business Strategy Pillar	Related SDG	Key indicators in 2020
NH ROOM4 People	3 SALUD Y BIENESTAR	• Creation of the *Feel Safe at NH* Protocol • Remote working conditions • Access to the Holistic Concept platform • **WITH YOU programme** as a support for the well-being of team members
	4 EDUCACIÓN DE CALIDAD	• **€ 231 thousand** investment in training • **68,902** employee training hours • **5.4** hours of training per employee
	5 IGUALDAD DE GÉNERO	• Presence in the **Bloomberg Gender Equality Index** • **51%** of the total workforce are women • **44%** women in management posts
	8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO	• **€ 264.7 M** Purchasing volume* • **Wages and salaries: € 188.4 M** • **Social security: € 55 M**
	10 REDUCCIÓN DE LAS DESIGUALDADES	• **349 hotels** with accessibility modifications. • **89** disabled employees

Sustainable Business Strategy Pillar	Related SDG	Key indicators in 2020
NH ROOM4 Responsible Shared Success		• **Adherence to the UN Global Compact** • Presence in the **FTSE4Good** index
		• **80** collaborations with foundations and NGOs. • **More than 790 hours** in social volunteering • **73** social projects • **10,600 beneficiaries** • **524** volunteers
NH ROOM4 Planet		• **52%** reduction in water extraction **
		• **61%** of the energy annually consumed is obtained from renewable energy sources
		• **157 certified** hotels • **48 hotels** with **charging points** installed for electric cars • **26 hotels** with bicycle hire service
		• **Responsible Procurement Policy** • **1,816 suppliers** have signed up to the Code of Conduct. • **94%** purchases from local suppliers • **71.7%** purchases from certified suppliers
		• Establishment of targets **approved** by **SBTi (Science Based Targets)** • Elimination of single-use plastics • **37%** reduction in carbon footprint ** • **35%** reduction in energy consumption ** • **€3M** invested in energy efficiency projects

*Leases paid, commissions and rappels, and utilities among others are not included

**Reduction compared to 2019 in absolute terms. The odd daily operations of the hotels during most of the year, implies that the reductions do not reflect the real performance of the environmental data.

NH ROOM4 RESPONSIBLE SHARED SUCCESS: CUSTOMERS

NH Hotel Group provides an excellent service offering an innovative range of services and invites its customers to participate and get involved in ethical, social and environmental commitments. In its commitment to sustainability, NH Hotel Group seeks to include and involve customers in its Sustainable Business initiatives, whether by generating opportunities for social contribution or by promoting environmentally responsible behaviour.

FEEL SAFE AT NH

At NH Hotel Group we want our guests to continue enjoying our hotels and having unforgettable experiences. To that end, we have created Feel Safe At NH, a set of measures certified by safety experts, which have been implemented in all our hotels so that our guests, employees and suppliers can continue to enjoy all our destinations, with no worries.

In order to ensure the safety of guests, employees and partners, the Company has put into place a number of different initiatives and adapted almost 700 standards, completely redesigning the guest experience cycle. Backed by experts, these measures have been implemented in 2020 in each of the Group's 364 establishments.

Feel Safe at NH reviews the entire way our hotels operate and concentrates all the initiatives under 10 lines of action that respond to our guests' needs in the new social reality caused by COVID-19. From the cleaning and disinfection processes for each space in the hotel, to new digital solutions, processes and protocols for food and beverage management, social distancing rules, or air and water purification control, the measures in the plan cover all aspects that allow hotels to be reopened with maximum guarantees for the safety of guests and employees.

Each of the Company's establishments has a designated health and safety officer in the new Feel Safe at NH operating process. They are responsible for leading the implementation of the plan, for employee training and, finally, for controlling the ecological and responsible use of protection equipment.

NH Experience

As a Company strategy, NH Hotel Group has identified the need to believe in the intrinsic value of each of its brands. It therefore seeks to pursue maximum efficiency in media investments and an improvement in the customer experience with the development of Guest Intelligence analysis tools, detecting the "moments of truth" and providing support to an experience undergoing continuous redesign and implementation, as well as monitoring acceptance. In recent years, as a result of the Company's new business strategy, the quality bases that characterise NH Hotel Group have been laid down.

In order to reduce interactions between people and contact with surfaces as much as possible, NH Hotel Group has provided guests with advanced technological solutions such as:

KEY INITIATIVES IN 2020

Feel Safe at NH

In order to ensure the safety of guests, employees and partners, a plan was drawn up establishing measures to deal with the health crisis. The Company has put a number of different initiatives into place and has adapted almost 700 standards, completely redesigning the guest experience cycle. From the cleaning and disinfection processes for each space in the hotel, to new digital solutions, processes and protocols for food and beverage management, social distancing rules, or air and water purification control, the measures in the plan cover all aspects that allow hotels to be reopened with maximum guarantees for the safety of guests and employees.



Adaptation of F&B services to COVID regulations

Assuring the safety of the process at all times, the Food & Beverage area has undergone a reorganization that affects everything from the logistics of preparation, to product delivery, consumption and payment systems.

NH Hotel Group will ask its suppliers for health certificates and a delivery process under strict control protocols. At all times, food handling will be reduced to the minimum, for example, by using single-use materials and favouring room-service, à la carte or take-away as the main options.
In the case of events, adapted meals and processes for this service have been drawn up to comply with the standards set.

Mobile Guest Service	Digitalization of the hotel information and services on a PWA (Progressive Web App) that can be accessed from any guest mobile device (cell phone, tablet, PC) offering customers the possibility of having all the information on the hotel easily available; from information on the hotel's facilities and hours, to the possibility of ordering room service, booking a table in the restaurant, requesting additional amenities, etc. An initiative that in addition to supporting the Feel Safe at NH plan by eliminating interactions and guaranteeing information during their stay, generates benefits in terms of sustainability because of the digitalisation of all the information.

Other notable experiences:

- ***FASTPASS:*** the main purpose of this initiative has been to offer guests the possibility of using three innovative services such as Online Check-in, Choose Your Room and Online Check-out, giving guests power over their stay.

  The added value has been the inclusion of the "Choose your Room" option, which gives guests the option of exploring the hotel's architectonic plan to decide which room they prefer, greatly impacting on our guests' experience. Furthermore, other initiatives -on which we are already working - will be implemented in the future, such as face recognition, or being able to open your door with a digital key.

- **Tablets in Reception:** a new check-in and check-out process using a tablet that will allow a digital signature and a paperless, more efficient and sustainable check-in process, as well as a digitally stored record of customer signatures and consents.

- **Lobbies Alive:** a new lobby concept designed to improve the guest experience, obtain additional revenue and attract new customers. A lobby that connects the hotel to the city and the neighbourhood, and creates an atmosphere that is perfect for work, enjoying a drink, meeting friends or attending a social event.

- **Mood Room**: rooms that allow our guests to enjoy the best experiences during their stay, with the simple movement of their fingers. Thanks to the myriad of pre-set modes, they can enjoy unparalleled technological experience and transform the entire room to suit their mood. Lights, music, curtains and climate control, all controlled at the touch of a button.

- **Pet friendly**: a complete experience for guests who travel with their pets. This new operational promise for pets offers our guests the certainty that travelling to an NH hotel with their pet is possible and convenient. We offer a standardized pet policy all over the world, making our hotel chain pet friendly.

- **Open Spaces:** initiative through which all our outdoor spaces are promoted in more than 170 hotels, from gardens to terraces with swimming pool, rooftops with privileged views,

and a long etc, to hold events and meetings and to offer unforgettable experiences to our customers.

- **Extended Stays Programme**: a new product focused on long stay clients (7 nights or more) such as digital nomads, corporate clients involved in long-term projects, etc. This product has been designed to offer a competitive rate that includes additional benefits in hotel services (discount in F&B, laundry, parking, meeting rooms...).

- **Room Office:** We offer the possibility of renting one of our spacious and comfortable rooms to be used as an office. Providing a quiet space, with all the necessary equipment: desk, office chair, Wi-Fi, private bathroom, television, and the possibility of hiring additional services such as drinks, lunch or any other F&B service. Within this proposal, we also offer the usual spaces of the hotel to hold meetings or work sessions such as the meeting rooms.

- **City Connection**: an initiative that lets our guests access all our lobbies in the city and enjoy some of our services and public areas, giving an added value mainly to our leisure guests. The aim is to improve the travel experience when staying at NH, offering our guests the possibility of having a convenient stopping place all over the city (to rest, use the Wi-Fi connection, have a drink, leave luggage …) and accessing any service at any NH hotel in that city.

Gastronomic innovation

NH Hotel Group is firmly committed to high quality gastronomy, innovation and the application of the latest trends in the sector, and therefore the Company is constantly in the process of innovating and developing exclusive gastronomic standards. However, in 2020, due to the impact of COVID-19 on the F&B area, innovation has focused on actions and standards that help to protect our guests, increase food safety, improve sustainability and support groups most adversely affected by the pandemic.

Local regulations to deal with the virus have limited the types of services available in each region or country, and therefore the Company's traditional standards have been adapted to these regulations and to the recommendation of the WHO. These adaptations have involved several innovative processes that allow NH to maintain differentiation, improve the guest experience in limited services and the application of new techniques or services.

Some of the processes in which innovative proposals have been applied throughout 2020 in the context of COVID-19 were:

- F&B Mobile Guest Service, developing a mobile app through which customers can see all available services, place orders or book a table in our restaurants.
- The Box, adaptation of the in-room breakfast service, with an attractive image and increased hygiene guarantees.
- Breakfast NH, adaptation of the famous NH breakfast to the new regulations in force. Three new service models have been developed (à la carte, assisted buffet service or mono-packed buffet), adapting to local regulations in each case while maintaining the

traditional values of our breakfasts: a warm welcome, use of local products, varied and healthy food.

- M&E, adaptation of the entire range of F&B offered to the new requirements in order to assure safety and hygiene at our events.
- Take-away service, creation of a new service adapted to the mobility circumstances, for lunches and dinners, during periods of restrictions for restaurants.
- Business and Individual Delivery Menus, creation of menus for business and private individuals with delivery to offices and homes on special dates.

It should be noted that in 2020, due to the damage caused by the pandemic, NH Hotel Group has committed, as far as F&B is concerned, to improve sustainability and support groups that have been especially impacted by COVID-19. Some examples of the new actions taken are:

- Improving sustainability in F&B through a new process that increases efficiency in the management of resources and the use of excess production in kitchens. To this end, we have begun to collaborate with various food start-ups that reuse these surpluses, providing an alternative outlet for the product that is not consumed in the hotel.
- Special collaboration with World Central Kitchen, a foundation directed by chef José Andrés. During that hardest months of lockdown, some of our hotel kitchens were used to prepare more than 120,000 menus that were later distributed to local charities and NGOs. Apart from lending our facilities to this initiative, multiple professional cooks volunteered to participate.

NH Hotel Group offers exceptional cuisine under chefs holding a total of 8 Michelin stars, who in some cases have adapted their services to the COVID-19 situation with new proposals:

- Dabiz Muñoz, 3 Michelin stars with DiverXO at NH Collection Eurobuilding. During 2020, he has developed a delivery service (Goxo)
- Paco Roncero, 2 Michelin stars with Paco Roncero Restaurante. This year he has reinvented his Workshop concept by creating a unique conceptual space featuring multisensorial gastronomy and sustainability (Paco Roncero Taller)
- Chris Naylor, 1 Michelin star with Vermeer at NH Collection Barbizon Palace, creation of the delivery service for Michelin star in the Netherlands.
- Randy Karman, 1 Michelin star, with White Room at NH Collection Grand Hotel Krasnapolsky.
- Marcos Morán (1 Michelin star) consulting chef at Hispania Brussels, NH Collection Grand Sablon.

HYBRID MEETINGS BY NH: TECHNOLOGY THAT ADDS VALUE TO YOUR EVENTS

In a world that is constantly changing and facing a new reality, NH Hotel Group has improved its Meetings and Events services with the Hybrid Meetings solutions. Unforgettable new hybrid conferences and meetings with sound technologies that guarantee the safety of attendees at our hotels and the quality of the event for those who participate in it virtually.

The Company has adapted its superior quality services to hybrid events:

- A team of experts to advise customers throughout the process and help to organise the hybrid event they want.
- New gastronomic proposals with great quality and safety. All F&B options are now available in individual portions with a new service from hotel personnel in different configurations.
- Innovation to develop efficient and ecological solutions such as Sustainable Hybrid Meetings.
- As part of the Feel Safe at NH initiative, the Company has established new MICE measures and protocols to ensure the event's safety.

NH HOTEL GROUP AND BMOTION AUDIOVISUAL PRESENT THEIR NEW OFFER OF PERMANENT SETS FOR MICE EVENTS

NH Hotel Group in Spain has joined forces with Bmotion Audiovisual to offer its customers a network of permanent sets the purpose of which is that events at its hotels continue to be memorable. NH Hotel Group in Spain has joined forces with Bmotion Audiovisual to offer its clients a network of fixed installation sets with the objective of continuing to offer memorable events. An initiative that aims to bring people closer and reunite them again, from a safe environment, so that customers can enjoy the benefits of a 100% face-to-face event, with all the added advantages of a virtual event.

The sets, encompassed within Hybrid Meetings by NH proposition, are equipped with the latest BMOTION technology and are operated by its team of experts. They are also connected to each other so that virtual and hybrid events can be held, both from a single location and by connecting several of them.

NH Hotel Group and BMOTION also offer a range of technological solutions to transmit virtual events with fully personalized 3D settings, which let participants be integrated in an immersive digital environment.

The sets can transmit single meetings or simultaneous meetings from multiple cities, offering the possibility of participating in person from any of the NH hotels that have this service or remotely from home. In Spain, this initiative is already available in six hotels in the country's main cities (Madrid, Barcelona, Malaga, Santiago, Seville and Bilbao) although it is possible to organise it in any city where there is an NH hotel.
The Company has an audiovisual partner for MICE events with fixed installation sets in all the countries where it operates.

NH ROOM OFFICE, A NEW WORK EXPERIENCE

In the context of the new work trends that have arisen in recent years and in a world that will have to transform itself after the current pandemic, last summer NH Hotel Group launched the "NH Room Office" concept in the Americas Business Unit, specifically at the NH Collection Bogotá Teleport Royal as a pilot.

Months later, and following the success of this innovative proposal, the Company has extended NH Room Office to other countries in the Americas and Europe.

Videocalls, preparing presentations or giving online training course… working from home is not the best solution for all tasks. For this reason, the Company offers the possibility of renting a quiet hotel room with a pleasant workspace, from a half-day upwards. This new concept lets customers work with all the necessary equipment and maintain distance without having to be in a business centre or go to the office.

EVOLUTION OF QUALITY MEASUREMENT TOOLS IN 2020

An essential part of the customer experience continuous improvement process is monitoring perceived quality and the action plans that have been put in place. A significant example of a measurement tool is Quality Focus Online, which makes it possible to monitor customer reviews through internal and online channels.

Notable among the main improvements in the tool in 2020 is the creation of a new encryption system for our internal satisfaction survey to increase the security of the data it handles. Furthermore, a new hotel closed/open filter has been included with a view to helping the teams manage and evaluate efficiently the quality of the hotels that have stayed open during the pandemic.

To maintain the Company's high standards in relation to quality and customer satisfaction and maintain maximum assurance of safety for guests and employees, this year a checklist has been developed so that, through the Health & Safety Managers, designated in the Feel Safe plan to be responsible for verifying and managing the plan in each hotel in each Business Unit of NH Hotel Group, the corresponding checks are carried out in each establishment and areas for improvement are identified, in order to implement the necessary corrective actions. The existing tool for carrying out such control, the smartphone app called Iristrace, continues to be the tool used for conducting quality control in the NH Hotel Group hotels.

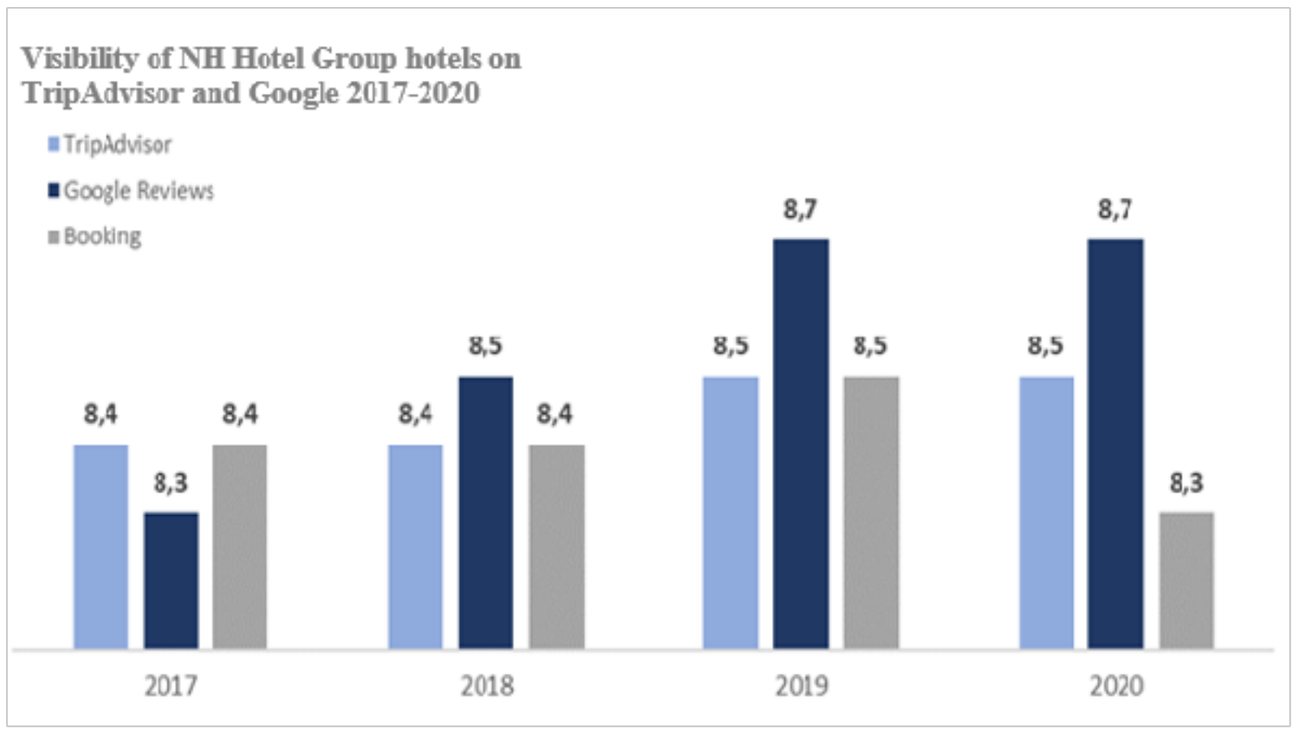
Furthermore, with the intention of understanding its guests better every day, the Company has continued to use the services of Trust You, a semantic analysis tool that makes it possible to have greater visibility of what customers are saying about NH Hotel Group and which has helped to identify the main areas for improvement both in terms of service and product. In addition, a new category has been included this year which has allowed us to monitor all comments about the pandemic and identify the improvements in this matter.

KEY QUALITY INDICATORS

	2020	2019	Diff.
NH Hotel Group survey rating (scale of 1 to 10)			
General	8.7	8.6	+0.1pp
Service	9.2	9.1	+0.1pp
No. of NH Survey Ratings *	62,920	134,489	71,569
Online survey rating (scale of 1 to 10)			
General	8.4	8.5	-0.1pp
Service	8.9	8.8	+0.1pp
No. of online survey ratings	268,878	551,227	282,349

Impacts on visibility and perception of Quality

The overall perception of the Company's quality has decreased by 0.1 pp compared to last year, having been affected to a relevant extent by the COVID-19 health crisis and associated contingency measures. The overall score at the end of 2020 was of 8.5. In relation to the overall score from online reviews, it has fallen to 8.4 (-0-1 compared to the previous year). The fall in the rating from Booking.com is especially noteworthy, down to 8.3 (-0.2 compared to 2019).



In 2020, all the Company's brands have been impacted by the crisis, with the final overall scores: NH Hoteles, 8.3 (-0.1 vs. 2019); NH Collection, 8.8 /-0.1 vs. 2019); and nhow, 8.5 (-0.1 vs. 2019). In all cases, the scores are the average between NH Hotel Group internal surveys and online ratings.

Single Customer Service Centre Tools

The Single Customer Service Centre provides support to hotels and to customers. It combines Customer Care, NH Rewards and the VIP Desk and has continued to consolidate its service in 2020, extending its capacity for response and improving the level of service.

SAP module: TMS4 Customer Care	This is a module that lets any interaction with customers be recorded from the time the complaint is received. Customers can manage their complaints through multiple channels: email, telephone, website, hotels, social media … The types of contact are classified into comments or suggestions, complaints, congratulations, requests, claims or technical incidents.
Quality Focus	Every week data is drawn from the satisfaction surveys received, identifying those that will be managed by Customer Care. Depending on the type of comment received, the type of response varies from direct interaction with the customer, by email or telephone, to a standard email response for neutral comments.

In 2020, the Customer Care area has handled a total of 10,174 contacts from the Single Customer Service Centre (whether complaints, requests, suggestions, congratulations…); this represents a decrease of approximately 24% in contacts handled by this area compared to 2019.

It should be noted that in 2020 NH Hotel Group has had to face a very complex situation because of COVID-19, which has forced the Company to the partial/total closure of many hotels and to handle many more claims or incidents. In addition, the different quarantines established have not permitted many of our customers to travel and all the restrictions that are still in place have considerably limited travel (Germany has been the most affected country, followed by Spain and Italy). The temporary closure of borders, as for example by the United Kingdom and Germany, has made travel to common destinations more difficult.

This year there has been a considerable increase in the number of contacts, in many cases caused by the mobility restrictions referred to above and the requests from customers to modify the expiry of their NH Rewards points.

Complaints are handled by sending a letter of apology, response by the hotel or the legal department. Sometimes, compensation has been given in the form of a discount voucher, free NH Rewards points, complimentary room upgrade, etc.

Responses have been given within the established time in the vast majority of cases, except on certain occasions where there have been spikes in the number of emails received (in relation to cancellations/modifications caused by force majeure, refunds, or simply asking for information) which have had an impact on the response time. However, the Company continues to focus on customers and their satisfaction.

In addition to the tools referred to above, the Company also has official complaints forms in accordance with ruling legislation in each country.

CONTACTS RECEIVED BY CUSTOMER CARE *

	2020		2019	
	Number	% of total	Number	% of total
Direct contacts (SAP)				
Comments/Suggestions	524	10.5%	438	6.5%
Congratulations	26	0.3%	64	0.9%
Technical incidents	4	0.8%	10	0.1%
Complaints	955	8.5%	2,610	38.5%
Claims	2,199	23%	670	9.9%
Requests	4,822	56.9%	2,985	44%
Total	8,530		6,777	
Customer survey contacts (Quality Focus)				
Comments/Suggestions	704	17%	809	12%
Congratulations	27	1%	15	0.2%
Technical incidents	-	-	1	0.02%
Complaints	549	13%	1,275	19%
Claims	60	2%	48	0.7%
Requests	304	8%	151	2.3%
Mailing – automatic reply	3,219	60%	4,364	65%
Total Customer Survey contacts	4,863		6,663	
Total Customer Care contacts	10,174		13,440	
Total complaints	1,504		3,885	

**The scope of these figures includes hotels under management as well as the consolidated perimeter, as many of the complaints received cannot be assigned to a hotel.*

COMPLAINTS RECEVIED BY SOLUTION PROVIDED

	Consolidated perimeter		Corporate perimeter ***	
Solution * **	**2020**	**2019**	**2020**	**2019**
Reply to suggestion/request/comments	3.996	3.142	5.400	4.567
NH Rewards points	1.282	210	1.381	248
Letter of apology	1.329	2.458	1.513	2.774
Response from hotel	714	637	869	722
Refund	551	142	620	159
Discount voucher	163	395	203	478
Thank you letter	10	20	13	28
Free upgrade	9	14	9	15
Free night	5	4	5	5
Free breakfast	3	5	3	5
Response from legal department	1	1	1	4
Other	44	36	56	44
Error*	39	21	48	35
None**	12	13	13	18

**Duplications*
***Technical incidents – solution provided by IT*
****Includes comments on internal policies, reservations and other services that depend on HQ and not on any hotel.*

COMMUNICATION WITH CUSTOMERS

Direct contact with customers is key in order to offer them personalized services and make their experience with NH better and better. In 2020, more than 110 million emails were sent to customers.

Responsible guests

NH Hotel Group seeks to include and engage its customers in its sustainable initiatives, whether by generating opportunities to contribute socially or by promoting environmentally responsible behaviour.

In line with this, NH Hotel Group has launched its "Green Stay" initiative, a new service that will be applied in several hotels in the northern and southern Europe business units. Through this initiative, the Company offers customers who stay for more than one night the option of declining the room cleaning service, contributing to savings in water, energy and other resources. As a reward for these guests, the hotel offers them a voucher for a free drink for each day they participate in this initiative.

Improvement in direct sales channels

The tourism sector has been seriously affected by the COVID-19 pandemic. Business growth generated through the NH Hotel Group website since its relaunch continues and the first few months of 2020 were particularly extraordinary, with year-on-year growth of 14%.

From March onwards, the effect of the pandemic in 2020 has affected all regions, channels, segments, brands and domains. The mobility restrictions and travel regulations issued by each country have had a significant effect on the B2B segment. In contrast, the B2C segment has gained weight and we have seen a more dynamic recovery of the direct web channel, than the one experienced by intermediated channels. This has led to an all-time high in terms of the web channel's contribution to NH Hotel Group's total sales.

NH Hotel Group uses direct and indirect channels to market its products. The direct channels include hotels, the Call Center and the web. In 2020, the latter has helped to market products through 14 sites and microsites, using 21 languages or language localizations.

Our spirit is to be able to adapt and personalise the experiences of millions of customers who visit us through the web (both mobile and desktop versions) and the app. This personalization, combined with the systematic application of techniques to improve conversion and usability - with more than 370 experiments in 12 months - have allowed us to obtain double-digit improvements in conversion, even in such a uniquely difficult year as this one.

NH Rewards programme

NH Rewards has more than 9.8 million members and is one of the most complete loyalty programmes worldwide.

Through its four categories (Blue, Silver, Gold and Platinum), the Company's programme recognizes and rewards the loyalty of regular customers on each stay with benefits such as earning points -equivalent to euros- that can be redeemed for free nights or extra services in the hotel with no date restrictions. NH Rewards also offers flexibility by allowing payment using points and cash, special price conditions, exclusive privileges when reserving on the website and other benefits, as well as a range of differential services that enhance the experience in hotels of all NH Hotel Group's brands.

NH Hotel Group collaborates actively with UNICEF, supporting its efforts to assure the rights and welfare of children throughout the world and respond to emergency situations. We have the support of our customers and employees in this collaboration. All the funds raised through donations of points are handed in full to UNICEF and are used for the development of health, education and protection programmes.

NH Hotel Group App

The NH Hotel Group app and its approach go beyond being a basic service tool for customers.

In line with the Company's innovative spirit, the mobile app is used as a key differential tool and as a laboratory, to then launch new concepts massively on multiple devices, such as the launch of the ***FAST***PASS service described above (and currently available in all devices) and the new app functionalities for the Feel Safe at NH protocols.

It is also worth noting that in this period the App has reached record highs in terms of share of contribution to the Company's turnover.

CUSTOMER HEALTH AND SAFETY

NH Hotel Group has strengthened the disinfection and cleaning protocols in its hotels in line with the indications of the World Health Organization, following local regulations and taking inspiration from medical practice. These protocols have also been reviewed and adapted to the new reality by SGS, (Société Générale de Surveillance), a leading inspection, verification and certification company.

Under these protocols, public areas with a high level of traffic such as lobbies, reception, halls and restaurants are cleaned more frequently and with a specific type of disinfectant products based on advanced medical practice. Furthermore, public areas of hotels have signs specifying the limitations, avoiding crowds of people and contact between them, always keeping the distance required by local regulations. The design of furniture and spaces changes to comply with safety distancing regulations. In addition, training has been provided to hotel staff to help customers comply with these rules at all times.

In line with this, NH Hotel Group maintains its commitment to guarantee food health and safety at global level, in each of its hotels and restaurants. Thus, the Company ensures that all food preparation and service procedures comply with international regulations on hazard analysis and critical control points (HACCP) for food and beverages. Finally, kitchens and kitchen utensils are cleaned following hospital protocols, thus assuring correct disinfection and decontamination at all times. For this purpose, NH Hotel Group has an international agreement with an external company specializing in food health and safety (Diversey), which audits, verifies and guarantees compliance with such regulations, as well as the mandatory legal registrations, laboratory analysis of food, continuous training of personnel in relation to food health and safety as well as specific hygiene manuals for each establishment.

In 2020, with the support of Diversey, the documentary frameworks and the critical control points analysis in the F&B environment (HACCP manuals, Food Hygiene …) have been adapted to the new regulations required by the COVID-19 situation. The guidelines have also been expanded with new control protocols for the reopening of hotels (cleaning and disinfection checklists, high contact surfaces, adequate use of COVID-19 disinfectants, new cleaning procedures …).

These processes are audited continuously in all NH Hotel Group restaurants and kitchens. Thus, all hotels undergo periodic food health controls conducted by Diversey and any failure by a supplier means, without going into criminal consequences, that the supplier in question must correct it or face automatic rescission of their contract with NH Hotel Group.

In addition, the following measures are in place in other areas of the hotels to guarantee guest health and safety:

GUEST HEALTH AND SAFETY MEASURES

Prevention of legionnaires' disease	In accordance with local legislation, cleaning, tests, analyses, etc. are performed.
Analysis of safety of domestic water supply for human consumption	Annual testing at different consumption and accumulation points of the hotel.
Indoor Air Quality (IAQ) Testing	Indoor Air Quality tests are carried out in some hotels.
Maintenance of elevators	All elevators undergo monthly maintenance and every two years they are subject to legal inspections by an authorized entity.
Maintenance of fire protection installations	Fire protection installations undergo quarterly maintenance, in addition to the periodic legal inspections carried out by an authorized entity.
Maintenance of boiler rooms and heating and air-conditioning installations	Boiler rooms and heating and air-conditioning installations undergo monthly maintenance.
Maintenance of low voltage installations	These installations undergo annual maintenance, in addition to legal inspections that are carried out every five years by an authorized entity.
Maintenance of high voltage installations	These installations undergo annual maintenance, in addition to the corresponding legal inspections carried out every three years by an authorized entity.
Cleaning of kitchen hoods, ducts and extractor fans	Every year, all kitchen hoods, extractor ducts and fans are cleaned to prevent possible fires in the hotel kitchens.

GUEST HEALTH AND SAFETY MEASURES

Automatic fire extinguishing systems in kitchen	Automatic extinguishing systems have been installed in the hotel kitchens.
Contracts for disinfection, fumigation and pest and rodent control	Disinfection, fumigation and pest and rodent control procedures are carried out to avoid and prevent possible infections or infestations in the hotels.
Maintenance of automatic doors	The maintenance of automatic doors ensures that they will work in the event of evacuation to prevent injury and accidental entrapment.
Light curtains in elevator doors	Incorporation of light curtains in elevator doors to prevent knocks when entering elevators.
Feel Safe at NH	The following measures have been implemented in NH Hotel Group so that guests can enjoy a comfortable and safe stay and to operate with the highest possible level of responsibility and performance: - Health inspection certificates. - Advanced digital services. - Enhanced cleaning and disinfection protocols. - Food and beverage service adapted to the current situation. - Safety distancing rules. - Personal protection equipment and protocols. - Air purification and water quality protocols. - Advisory service. - Health and safety protocols for employees. - Health and Safety Manager of the Hotel.

GLOBAL WEBINAR FOR CORPORATE, MICE AND LEISURE CUSTOMERS

At the end of April, we hoped to gain a better understanding of the implications of COVID-19 for travel and explore the expectations of businesses for the future. To this end, NH Hotel Group sent out a global survey for its customers in the corporate, MICE and leisure segment.

The aim of the survey, shared with approximately 12,000 B2B customers worldwide, was to obtain knowledge of the plans and needs of the Company's customers post COVID-19.

On June 9th, the Company organized a webinar aimed at these customers, mainly to share with them the results of this survey and to present the new Feel Safe at NH Plan.

The webinar, at which more than 500 people were present, was led by Ramón Aragonés, CEO of NH Hotel Group, Fernando Vives, Chief Commercial Officer and Javier Mármol, Vice President of Experience and Quality, and presented by Natalie Moran, Senior MICE & Corporate Director. They offered an update of the Company's present situation and explained in detail the Feel Safe at NH actions implemented in each of the hotels, in line with the needs mentioned in the survey by our customers.

Following the success of this webinar, the sales team has replicated this format in the different Business Units, where they have shared the details of Feel Safe At NH with their local B2B customers, in their corresponding languages and adapted to local legislation.

Hotels that are more and more accessible

As a result of NH Hotel Group's commitment to diversity, inclusion and accessibility for its guests, there are 349 hotels distributed over all the Business Units that have elements adapted to special needs. NH Hotel Group continues to work towards making all the Company's hotels accessible.

95% of hotels have some element of accessibility

NH Hotel Group is also committed to the full integration in work of people with disabilities through responsible purchases from Special Employment Centres as suppliers of laundry services. The share that purchases from Special Employment Centres represented in 2020 was 4.4% (estimated with respect to the workforce in Spain, together with the Special Employment Center employees comparable to NH Hotel Group purchases).

MORE ACCESSIBLE HOTELS

	Consolidated perimeter			Corporate perimeter		
	2020	2019	Diff. (%)	2020	2019	Diff. (%)
Number of hotels with elements adapted to special needs	301	301	0%	349	344	1%
Number of hotels with disabled access elevators	256	266	-4%	299	307	-3%
Number of hotels with disabled parking	207	211	-2%	246	244	1%
Number of hotels with public areas adapted for people with a physical disability	276	277	0%	320	317	1%
Number of rooms adapted for people with a physical disability	837	828	1%	933	920	1%

NH ROOM4 RESPONSIBLE SHARED SUCCESS: RESPONSIBLE VALUE CHAIN

NH Hotel Group's relations with its suppliers are based on communication and transparency in order to promote the development of innovative and sustainable solutions. These collaborations also build the way to comply with the Sustainable Development Goals set by the Group for the creation of decent work and economic growth (SDG 8) and for responsible consumption and production (SDG 12).

264.7 M€*
ANNUAL PURCHASE VOLUME (OPEX + CAPEX) IN 2020
-59% compared to 2019

196 M€
TOTAL OPEX VOLUME IN 2020
-42% compared to 2019

PURCHASE VOLUME PER BUSINESS UNIT (OPEX + CAPEX)*

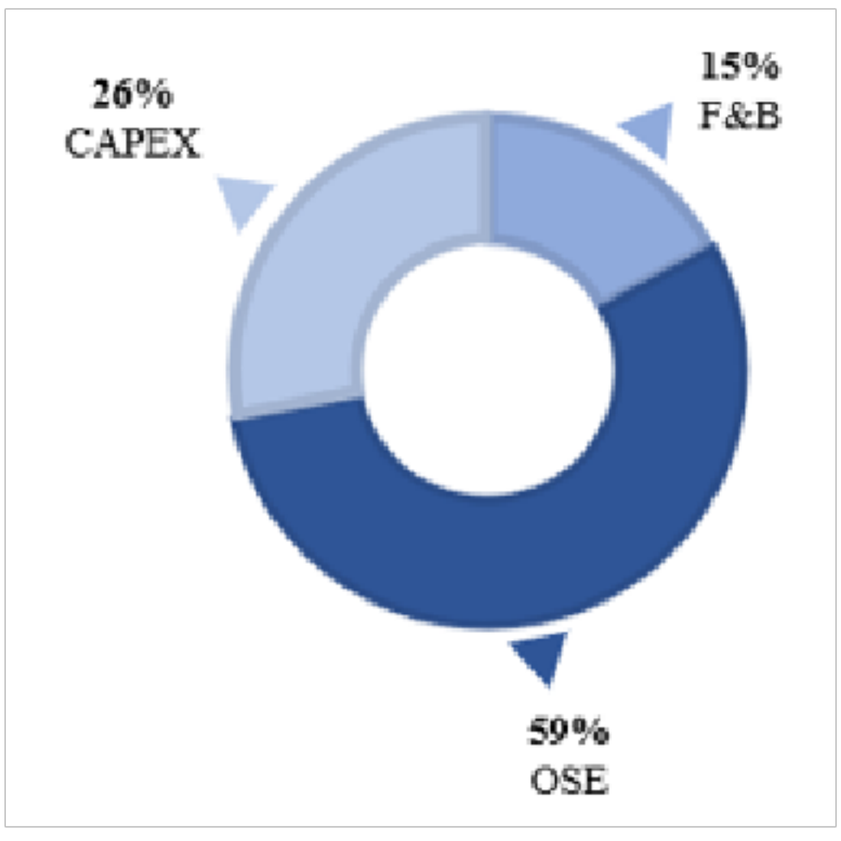
	2020	2019	Diff. (%)
BU America	15,5 M €	41 M €	-62%
BUNE	106,9 M €	261,1 M €	-59%
BUSE	142,3 M €	348,4 M €	-59%
Total	264,7 M €	650,5 M €	-59%

**Excluding expenses for leases paid, commissions and rappels and utilities, among others.*

PURCHASE VOLUME BY SAP SERVICE TYPE

	2020	2019	Diff. (%)
Food and Beverages	39.4 M €	113.9 M €	-65%
OSE (Operating expenses)	156.9 M €	356.6 M €	-56%
CAPEX (Works)*	68.4 M €	180.1 M €	-62%

% of purchase volume by service type in 2020



Strategic purchasing management has begun to move away from prioritising price negotiation efficiency alone over other factors. This crisis has led NH Hotel Group to carry out an analysis of current suppliers, checking the traceability of their products and components, and demanding production flexibility to assure supply, as well as the sustainability of their products.

All NH Hotel Group suppliers, both approved and non-approved, are required to comply with the exceptional anti-COVID-19 safety and disinfection measures for the delivery of goods and the provision of services in our hotels.

The economic consequences of the pandemic have forced NH Hotel Group to seek alternative suppliers and markets, even in different geographical areas, which is why the approval and certification of suppliers has decreased compared to 2019. This fall is due to two main reasons: on the one hand, the purchase of COVID-19-related services from non-approved suppliers due to the urgency in the need for such equipment (such as PPE); and on the other hand, the elimination of a considerable part of outsourced security and laundry suppliers due to the closure of our hotels.

Procurement Policy

NH Hotel Group has a formal and mandatory Procurement Policy, which sets out the guidelines to be followed by the different departments, whether Corporate or of a Business Unit, in situations that affect or could affect the Company's external contracting.

The Procurement Policy contributes to reinforcing:

- The commitment to ensure transparency, honesty and ethics in the procurement function.
- The need to carry out professional contracting processes to optimise results.
- The need for alignment with internal control guidelines, and proper and timely updating and communication to all Company employees.

As with the Code of Conduct for Coperama Suppliers, the NH Hotel Group Code of Conduct has been included in the approval contract of the Procurement department since 2012.

Failure to accept these ethical codes in the selection phase of suitable suppliers to participate in the next phases of a procurement process is a criterion for exclusion. The Procurement department includes an extensive approval questionnaire (RFI) in the supplier selection process which is assessed automatically according to suppliers' commitment and their policies. As a relevant milestone in 2020, for the purpose of assuring a responsible operation and achieving long-term relationship with suppliers, NH Hotel Group has updated its RFI, extending the ESG criteria in its responsible procurement process, increasing the weighting of questions concerning Sustainability and prioritising suppliers who apply sustainable criteria. This questionnaire is part of the overall assessment for the validation process.

1,816
Suppliers that have signed up to the Code of Conduct

71 new suppliers signed up to the Ethical Code

In 2020, a total of 72 new suppliers globally have signed up to the NH Hotel Group Code of Conduct and the Coperama Code. Thus, in 2020 the number of Ethical Codes signed with active suppliers has reached a total of 1,816, down 3% compared to the 1,872 of last year.

Selection of suppliers

Since 2010, the Company's different procurement departments have progressively become the different Coperamas (companies wholly owned by NH Hotel Group). Their function consists of finding, rating and certifying suppliers and negotiating and contracting the necessary goods and services for the correct operation of the hotel activity. Each local Coperama provides service to the regions of the NH Hotel Group Business Units assigned to it. Coperama Holding provides service at corporate level to the Group in all its locations.

Although at present NH Hotel Group does not carry out social and environmental audits of its suppliers, it works continuously to align ESG criteria with sustainable management of the supply chain. To assure responsible supplying, the Company has developed a series of procedures that reinforce the commitment to the supply chain. These procedures are the supplier management procedures, the questionnaire for supplier approval (RFI), the Code of Conduct for Coperama Suppliers and the Company's Code of Conduct, both of which must be accepted by all approved suppliers.

As indicated in the NH Hotel Group Procurement Policy, all services or products that come under categories suitable for being tendered by Coperama are part of the Procurement Perimeter. Within the total volume of OPEX purchases, the Procurement Perimeter represents 90% of the hotels in NH Hotel Group's consolidated perimeter.

The Procurement Perimeter is reviewed periodically by NH Hotel Group and Coperama to ensure that it is adapted at all times to the Company's needs.

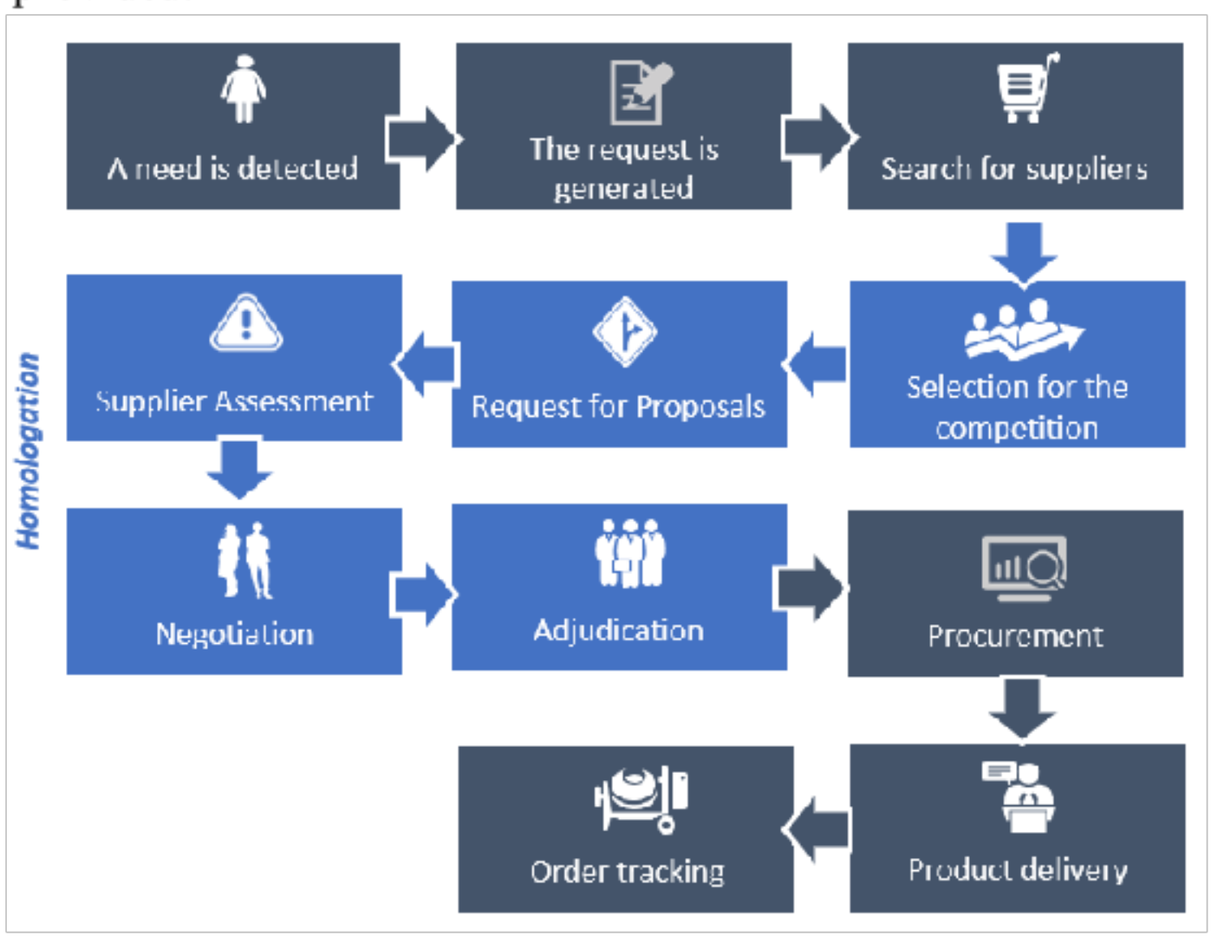
In OPEX:

177 M€	**127 M€**	**71.7%**
TOTAL VOLUME PROCUREMENT PERIMETER	VOLUME OF APPROVED PURCHASES OF THE PROCUREMENT PERIMETER	APPROVED PROCUREMENT OF THE PROCUREMENT PERIMETER

The decrease in compliance during this year is mainly due to the elimination of the Cleaning and Security service during the months in which the hotels were closed. In turn, as indicated above, when PPE was being sought for the hotels, it was purchased from non-approved suppliers for reasons of urgency and opportunity.

Supplier approval process life cycle in NH Hotel Group

The selection of suppliers and working relations with them, is based on transparency, honesty and ethics with the clear aim of being able to assure an excellent provision of services, efficiently and of high quality. Supplier management starts when a need is detected and continues until the service is finally provided:



1,816
APPROVED SUPPLIERS

Before the procurement process commences, an approval procedure takes place which means that a database can be generated of suppliers who have been assessed and have been found to meet the requisites of NH Hotel Group in economic, quality and ESG matters.

There are certain criteria which, if not accepted or implemented by suppliers, result in their automatic expulsion from the bidding process. One of these criteria is the requirement to sign both the Group's Code of Conduct and the Coperama Code of Conduct, which sets out the environmental and labour commitments that govern NH Hotel Group.

Throughout the process, special attention is given to sustainability, to try to mitigate possible negative impacts on the environment, while reducing the inherent risks of the operations of our supply chain.

Supplier management

NH Hotel Group is focusing its efforts on achieving sustainable management throughout the entire supply chain. The supplier management Model seeks to have the best suppliers available through business procedures that guarantee transparency and equality of conditions for the different bidders. The Company offers a win-win model for all parties with a commitment to a long-term relationship. The supplier's rating is the necessary requisite in order to participate in procurement processes and is obtained as a result of the approval process.

Accordingly, NH Hotel Group encourages approved procurement in most of its hotels, with the need for the required products being identified by each hotel. Coperama's task is therefore to approve and authorize potential suppliers. In conjunction with our responsible supply goals, we will continue to identify high-quality products that are environmentally acceptable and socially responsible. These efforts will contribute to the development of responsible products in all geographical areas where we are present and in the future.

The hotels that consolidate have different monitoring indicators to control purchases from approved suppliers in the Procurement Perimeter.

In 2020, all the Business Units have failed to meet the targets because of the worldwide pandemic.

71.7%
APPROVED PROCUREMENT

91%
APPROVED PROCUREMENT TARGET IN 2020

94%
OF THE PURCHASE VOLUME IN 2020 CORRESPONDS TO LOCAL SUPPLIERS *

**For NH Hotel Group, a local supplier is defined as a supplier that sells in the same country where its tax headquarters are located while an international supplier is one that sells in a different country to its tax domicile.*

11,225
TOTAL SUPPLIERS **

*** The sum of the number of suppliers differs from the total number of suppliers as the same supplier may serve more than one Business Unit.*

10,636
LOCAL SUPPLIERS *

**For NH Hotel Group, a local supplier is defined as a supplier that sells in the same country where its tax headquarters are located while an international supplier is one that sells in a different country to its tax domicile.*

NUMBER OF SUPPLIERS PER BUSINESS UNIT *

	2020	2019	Diff.
BU America	2,266	3,365	-33%
BUNE	4,442	6,428	-31%
BUSE	4,647	6,670	-33%
Total	11,355	16,463	-32%

** The sum of the number of suppliers differs from the total number of suppliers as the same supplier may serve more than one Business Unit.*

OTHER RELEVANT FIGURES OF THE RESPONSIBLE VALUE CHAIN

	2020
Total volume of approved procurement (OPEX) globally	196 M€
Total volume of approved procurement (CAPEX) globally	68 M€
% of volume concentrated in European Business Units	94%

Risk management in the supply chain: critical suppliers

22%
Purchase volume from critical suppliers

390
Critical suppliers identified

NH Hotel Group works to extend sustainability to a constantly improving supply chain, where innovation is always present, made up of the best partners and suppliers. The supply chain management process is based on an assessment of the intrinsic risk factors of outsourcing a service or the supply of a product.

For contract bidding management, NH Hotel Group uses its Electronic Negotiation Platform. This tool makes it possible, through the RFI (Request for Information) phase, to assess and analyse the legal, financial, environmental, operational and social and labour situation of suppliers who submit bids for contracts. This reduces the possible risks that suppliers could generate in future operations with the Company. In this part of the process, suppliers must accept both the Group's Code of Conduct and the Code of Conduct for Suppliers of Coperama which includes environmental and labour commitments.

To carry out its management, NH Hotel Group has identified its critical suppliers as those that could affect the Company at a reputational level (or generate an operational and/or legal risk), either due to having a significant volume of billing or to having products that have been especially designed for the Company. According to this definition, critical categories for NH Hotel Group would be the outsourcing of cleaning services, security services, laundry, amenities and textiles, the latter belonging to Tier 2.

The selection of these suppliers must be carried out applying the highest quality standards, which will be established in the RFP document (Request for Proposal), with technical questions. For this initial assessment, specific documentation has to be submitted providing evidence of the veracity of the information provided. This preliminary assessment is complemented with a subsequent screening that is intrinsic to the contract award process, based on compliance with the technical requests shown in the RFP.

A new feature has been the creation in 2020 of a supplier self-assessment questionnaire. The main suppliers of NH Hotel Group will have to complete an annual questionnaire based on ESG criteria established by the Company. This self-assessment questionnaire will allow suppliers to provide additional information to be considered in relation to ESG criteria. Based on the results, the Company will implement the adjustments and improvements it considers necessary.

Due to the current health crisis, the questionnaires will be sent out in 2021, as a lack of resources has slowed the process.

Subsequently, as part of the approval contract, the SLA (Service Level Agreement) is applied which determines the service level parameters and penalises any deviation in the service offered by the supplier. Suppliers' services are controlled by the hotels or departments that are the end users of such services. In the event of a complaint, Coperama is notified and, depending on the severity of the error, it demands immediate correction or directly rescinds the contract with the supplier. In 2020, no such case has arisen in any of the Business Units.

NH ROOM4 RESPONSIBLE SHARED SUCCESS: SUSTAINABLE ALLIANCES

NH Hotel Group promotes strategic alliances and collaborations in sustainability. The Company is aware of the importance of collaboration between institutions in order to comply with the sustainable development agenda. Accordingly, it establishes alliances based on common principles, values and goals with different organisations, whether in the public or private sector, at world, regional, national and local level.

Dialogue with stakeholders

The Company considers stakeholders to be the individuals or social groups affected by the Company's present or future actions.
This definition includes both stakeholders that are part of the Company's value chain: shareholders, employees, investors, customers and suppliers, who are considered to be parties in the business, and external parties: administrations, governments, media, business sector, trade unions and society as a whole, starting with the local communities where the Company carries out its business.

The opinion and needs of stakeholders are of great relevance for NH Hotel Group as they combine efforts to achieve common goals. In this regard, clear and continuous two-way communication with all of them is key.

NH Hotel Group holds a constant and fluid dialogue with its stakeholders, through multiple channels and formats, with the aim of keeping the Company up to date about new demands and needs, as well as of responding better to stakeholders' concerns and opinions.

STAKEHOLDER	MECHANISMS OF DIALOGUE AND PARTICIPATION
Customers	– Satisfaction surveys – Social media – NH Rewards loyalty programme – Campaigns or corporate videos – Advertising actions – E-mail for claims, complaints and suggestions – Webinars
Employees	– Satisfaction and climate surveys – Internal communication: Newsletters, Town Hall, NH talks, intranet, MyNH Employee App, multiple communications. – Time for You (TFY) – Non-Financial Information Statement
Community and non-profit entities	– Organization of and participation in different forums, meetings, conferences, events, etc. – Advertising and media – Periodic meetings and direct communication with different social organizations – Internal communication platform – Volunteering actions – Non-Financial Information Statement

STAKEHOLDER	MECHANISMS OF DIALOGUE AND PARTICIPATION
Suppliers	– Direct communication and face-to-face meetings – Advertising and media – Supplier approval platform with CSR criteria – Non-Financial Information Statement
Shareholders and investors	– Annual General Meeting – Newsletters – Proxy Advisors – Roadshows – Website – Non-Financial Information Statement
Public Administration	– Institutional relations – Sector associations – Agreements and bidding processes

Relations with associations

As well as the positive impact of its activity as such, by providing a service to cities and their tourists, NH Hotel Group contributes to the community by being part of associations, chambers of commerce or foundations that promote concerns and encourage projects to attain shared goals.

The Company is a member of key organizations with which it collaborates actively by drawing up reports and to which resources are assigned that permit continuous improvement, by sharing experiences and knowledge and by boosting the Company's influence. For its relevance, this notably includes NH Hotel Group's participation in the UN Global Compact.

UN Global Compact



Since 2006, NH Hotel Group has been a member of the United Nations Global Compact and regards its 10 principles and the Sustainable Development Goals as the framework of reference for designing the strategy and management of the Company's Corporate Responsibility.

Sustainable Hospitality Alliance

Sustainable Hospitality Alliance, formerly International Tourism Partnership (ITP), is a world platform that brings together leading international players from the hotel sector with the aim of sharing and implementing practices that will ensure sustainable behaviour in tourism management. The agreement in these areas aims to complement the companies' individual goals, believing that the most significant impact in these matters of responsibility, which are the most urgent issues facing the industry at present, can only be achieved by working together. NH Hotel Group was part of this platform until 2020 and is confident that it will be able to re-join it in forthcoming years.

Significant contributions to associations in 2020

The Company is part of different associations in order to be informed at all times and to achieve the objectives set.

CONTRIBUTION TO ASSOCIATIONS

	2020	2019
Sector associations	€ 82,782	€ 582,384
Non-profit foundations or associations	€ 6,819	€ 20,655
Chambers of commerce	€ 3,938	€ 38,448
Cultural associations	€ 21,990	€ 31,762
Associations related to the environment	€ 1,000	€ 72,405
Total	€ 116,528	€ 745,653

In 2020, NH Hotel Group made a total contribution of € 116,528 to sectorial, cultural, social and environmental associations and chambers of commerce. The significant reduction in contributions compared to the previous year is due to the drastic contingency measures that have been taken as consequence of COVID-19 crisis.

NH ROOM4 PEOPLE: EMPLOYEES

NH Hotel Group cares for its employees and seeks their commitment to and involvement with the Company's sustainable business, so that it is integrated into their daily activities. All this through fluid communication and recognizing their responsible commitment.

"Our employees: ambassadors of our values, make the Company's achievements possible"

In NH Hotel Group's business strategy, the corporate culture is key. The Company considers its human capital to be its main asset and understands that in order to build a corporate culture of leadership, it is essential to manage effectively the attraction, development and retention of talent and sustain their motivation and pride at belonging to NH Hotel Group.

Throughout 2020, NH Hotel Group has had to act to mitigate the serious consequences of COVID-19 on its business and results. For this purpose, and striving at all times to protect long-term employment as much as possible, the Company has launched a contingency plan to reduce its workforce temporarily and, consequently, adjusted its staff costs to the reality of the business, through suspensions of contracts, reductions in working hours, application for extraordinary allowances available in some countries, vacancy cancellations and/or other measures in accordance with labour legislation in each country.

One or another of these measures have affected practically all of the workforce, in all professional categories and affecting men and women equally.

Even in such an unfavourable context, NH Hotel Group has upheld its corporate culture and its commitment to its values. It has strived to be consistent with and faithful to its current People strategy, convinced that this is what is needed to earn the credibility and trust of its team members, the Company's greatest asset.

In this reorganisation of priorities deriving from the circumstances, efforts have been focused along three lines: CONNECTING with employees by reinforcing communication, CARING for them by assuring their safety, health and wellbeing, and providing ANSWERS, as BUSINESS PARTNERS, to the Company's demands, i.e. in training operations personnel to ensure the effective implementation of Feel Safe at NH measures with our customers.



In this context, NH Hotel Group has launched multiple initiatives to take care of its employees at such a difficult time. One of them is "***With You***", an internal engagement project designed to provide tools, advice and resources so that teams can reinforce key skills during this phase, not

only on a professional level but also to improve their personal wellbeing. Under ***"With You"***, and among other actions, NH employees have received content aimed at stress management, gained free access to digital newsstands, had the possibility of taking language classes, the chance to collect office material to improve their remote working experience, and receive access to two external international e-learning platforms: **Typsy** and **GoodHabitz**. Both platforms include multiple learning resources so that each employee can work on their professional development plan, incorporate new knowledge and, in short, continue to invest in their professional growth.

The Company has also been pioneering in the industry with **Feel Safe at NH**, a set of health and safety protocols, certified by safety experts, and implemented in its hotels to guarantee the health and safety of team members and guests. Thanks to the active involvement of Hotel Managers and Department Heads, it was possible to get ahead of the situation, ensuring that employees adopted, followed and implemented the new Health and Safety standards in all the hotels in all our operations.

In circumstances where remote working was forced, steps were taken to facilitate working from home from day one with full technical support and other arrangements such as the collection of office equipment to take home (screen, keyboard and office chair).
In addition, the Company also prepared a Plan for the return to offices, so that all employees who chose to partially return to the offices once the lockdowns were lifted had all the information on the Health and Safety protocols that they were required to observe.

With all this, NH Hotel Group has continued to take care of its teams and provide them with tools to manage as well as possible the tension and uncertainty that the pandemic has brought in 2020.

Alongside this, NH Hotel Group has continued to show its commitment to the communities where it carries on its activity through **NH Response**. Although the programme was conceived to help society at the toughest moments of the crisis, there were some situations in which the team members themselves became a vulnerable group. For them, the Company, leaders and partners joined forces through donations and made it possible to deliver basic non-perishable food items to our colleagues and their families.

People strategy

The initial goal in 2020 was to consolidate the key policies and projects in the Company's HR Strategic Plan, grouped around the 3 main pillars: Global Leadership and Talent Management, Top Performance, and Best Place to Work and a fourth cross-cutting one: "Transformation and New Technologies".

However, the COVID-19 crisis required a shift in all planned projects. NH Hotel Group did maintain its focus throughout the year on its strategic pillars, but it did so reconsidering every action and initiative to give them meaning and usefulness in the extremely complex individual, social and business context created by the pandemic.

GLOBAL LEADERSHIP AND TALENT MANAGEMENT	TOP PERFORMANCE	BEST PLACE TO WORK
Continuing to drive and convey leadership within NH Hotel Group, focusing efforts and investment on internal talent that has the potential to make a difference in the Company's strategy and become role models in our culture.	Being recognized as a model high-performance team in which all employees are encouraged to progress and do their best and in which high performance is differentiated, recognized and rewarded.	Making our employees the best brand ambassadors, based on their high level of commitment, and increasing the recognition of NH Hotel Group as one of the best companies to work for.

TRANSFORMATION AND NEW TECHNOLOGIES
Seeking, assessing and taking advantage of opportunities to evolve and develop our working environment to make it more agile, connected and productive, in order to acquire advanced predictive analytical skills, through clear policies and processes, keeping promises proactively, supporting, developing and implementing the NH Hotel Group operational model, and controlling staff costs and related budget items.

The main projects carried out in each strategic pillar are set out below:

STRATEGIC LINES OF WORK FOR HUMAN RESOURCES IN 2020

Global leadership and talent management

Providing support to managers in handling their teams in extraordinary circumstances (communicating temporary labour measures, remote team management, handling of difficult conversations, etc.)
Consolidation of the talent management model and design of training material for implementation throughout NH.
Monitoring of development and succession plans for key positions.

Top performance

Contingency plan in terms of staff costs, adjusting them to the reality of the business.
Monitoring and control of staff costs; optimisation of the labour tools provided by each Government.
Fostering of conversations offering feedback, guidance and motivation to active employees.
Rollout of Feel Safe at NH, training the teams on the new operating standards.

Best place to work

Initiatives to sustain engagement and the sense of belonging to NH Hotel Group in all employees.
Launch of training content and access to learning platforms, to boost self-development of employees during furlough.
Design of specific communication channels to update employees on the situation of the Company and the recovery plans (COVID-19 & Feel Safe at NH).
Design of reboarding programmes to support the reopening of both hotels and head offices.

Our human capital

All information on employees corresponds to average headcount data obtained on FTE (Full Time Equivalents) for all employee types (except Outside Labour, Extra Labour and Trainees), considering hotels under ownership, lease, management, held in NH Hotel Group's ERP SAP HCM management system.

EMPLOYEES BY BUSINESS UNIT

	Consolidated perimeter			Corporate perimeter		
	2020	2019	Diff.	2020	2019	Diff.
Central Offices and CRO	518	508	2%	518	508	2%
BU America	4,407	4,585	-4%	2,006	2,257	-11%
BU	4,591	4,636	-1%	4,896	5,141	-5%
BUSE	1,596	1,735	-8%	5,430	5,199	4%
Total	11,112	11,464	-3%	12,850	13,106	-2%

Compared to the previous year, there has been a slight decrease in the workforce in the Northern European Business Unit, and a more significant decrease in the Americas Business Unit because of the adjustments to the workforce that have had to be made as a result of the closure of hotels and reduction in activity during the year, and in line with what the legislation allows in each country.

During 2020, NH Hotel Group had 12,850 employees in 24 countries, of whom 51% are women and 49% are men.

BREAKDOWN OF EMPLOYEES BY GENDER

	Consolidated perimeter			Corporate perimeter		
	2020	2019	Diff.	2020	2019	Diff.
Women	5,689	5,852	-3%	6,551	6,676	-2%
Men	5,423	5,612	-3%	6,299	6,429	-2%
Total	11,112	11,464	-3%	12,850	13,105	-2%

BREAKDOWN OF EMPLOYEES BY AGE

	Consolidated perimeter			Corporate perimeter		
	2020	2019	Diff.	2020	2019	Diff.
Under 25	1,011	1,249	-19%	1,185	1,471	-19%
Between 25 and 40	4,905	5,152	-5%	5,695	5,932	-4%
Over 40	5,196	5,023	3%	5,970	5,655	6%
Total*	11,112	11,424	-3%	12,850	13,058	-2%

** <1% of employees with age data unavailable*

BREAKDOWN OF EMPLOYEES BY COUNTRY

	Consolidated perimeter			Corporate perimeter		
	2020	2019	Diff.	2020	2019	Diff.
Argentina	340	361	-6%	423	444	-5%
Austria	261	284	-8%	261	284	-8%
Belgium	570	614	-7%	570	614	-7%
Chile	149	172	-13%	163	194	-16%
Colombia	468	523	-11%	468	523	-11%
Cuba	-	-	-	1	-	-
Switzerland	62	66	-6%	62	87	-29%
Czech Republic	-	-	-	166	195	-15%
Germany	1,923	2,027	-5%	1,923	2,027	-5%
Ecuador	54	60	-10%	54	60	-10%
Spain	3,291	3,462	-5%	3,411	3,596	-5%
France	131	132	-1%	131	132	-1%
Hungary	27	34	-21%	27	34	-21%
Italy	1,164	1,232	-6%	1,165	1,233	-6%
Ireland	69	-	-	69	-	-
Luxembourg	37	45	-18%	37	45	-18%
Mexico	553	588	-6%	867	1,005	-14%
Netherlands	1,406	1,449	-3%	1,624	1,692	-4%
Portugal	511	311	64%	1,229	738	67%
Romania	29	35	-17%	51	67	-24%
Slovakia	-	-	-	55	62	-11%
Great Britain	25	30	-17%	52	34	53%
USA	12	8	50%	12	8	50%
Uruguay	31	31	0%	31	31	0%
Total	11,112	11,464	-3%	12,850	13,106	-2%

BREAKDOWN OF EMPLOYEES BY PROFESSIONAL CATEGORY

	Consolidated perimeter			Corporate perimeter		
	2020	2019	Diff.	2020	2019	Diff.
CENTRAL SERVICES						
Top Management	93	93	0%	93	93	0%
Middle Management	472	440	7%	472	440	7%
Staff	1,091	1,092	-0.1%	1,091	1,092	0%
Total	1,656	1,625	2%	1,656	1,625	2%
HOTEL						
Top Management	289	296	-2%	320	327	-2%
Middle Management	1,445	1,429	1%	1,634	1,596	2%
Staff	7,722	8,114	-5%	9,240	9,557	-3%
Total	9,456	9,839	-4%	11,194	11,480	-2%
TOTAL						
Top Management	382	389	-2%	413	420	-2%
Middle Management	1,917	1,869	3%	2,106	2,036	3%
Staff	8,813	9,206	-4%	10,331	10,650	-3%
Total	11,112	11,464	-3%	12,850	13,106	-2%

The categories into which all the information is broken down are as follows:

- **Top Management:**
  - Central Services/Corporate Offices: Chief Officer, Senior Vice President, Vice President, Senior Director and Regional Director.
  - Hotel: Manager and Deputy.

- **Middle Management:**
  - Central Services/Corporate Offices: Director and Manager.
  - Hotel: Department heads.

- **Staff:**
  - Central Services/Corporate Offices: Executive, Staff and Assistant.
  - Hotel: All other hotel positions.

Quality job creation and talent retention

NH Hotel Group's commitment to job stability can be clearly seen in the high percentage of employees with indefinite contracts. The Company fosters job stability, especially for women and those under 40 years old. Accordingly, in 2020, on average 87% of the contracts of women for workplaces in the consolidated perimeter are indefinite. Furthermore, on average 85% of employees between 25 and 40 years old have indefinite contracts.

The average number of contracts has been calculated by dividing the total number of contract days per category for each employee by the total number of days per year.

ANNUAL AVERAGE TYPES OF CONTRACTS

Consolidated perimeter

	2020	20019	Diff. (%)
Temporary contracts	1,585	2,476	-36%
Indefinite contracts	10,192	9,532	7%
Total	11,777	12,008	-2%
Part-time contracts	1,342	1,291	4%
Indefinite part-time contracts	1,096	890	23%
Temporary part-time contracts	246	401	-39%
WOMEN			
Temporary contracts	796	1,297	-39%
Indefinite contracts	5,345	4,961	8%
Total	6,140	6,258	-2%
Part-time contracts	958	912	5%
MEN			
Temporary contracts	789	1,179	-33%
Indefinite contracts	4,848	4,570	6%
Total	5,637	5,749	-2%
Part-time contracts	384	378	2%

Part-time contracts are a type of contract for both temporary and indefinite contracts.
Part-time retired employees are considered to be a type of temporary contract.

ANNUAL AVERAGE TYPES OF CONTRACT BY AGE

Consolidated perimeter

	2020			2019		
	< 25	25 - 40	> 40	< 25	25 - 40	> 40
Annual average number of temporary contracts	549	740	296	850	1,087	533
Annual average number of indefinite contracts	585	4,342	5,265	493	4,183	4,810
Total	1,134	5,082	5,561	1,343	5,270	5,343
Annual average number of part-time contracts	176	424	741	146	421	706

ANNUAL AVERAGE TYPES OF CONTRACT BY PROFESSIONAL CATEGORY

Consolidated perimeter

	2020			2019		
	Top Management	Middle Management	Staff	Top Management	Middle Management	Staff
Annual average number of temporary contracts	4	54	1,527	5	107	2,364
Annual average number of indefinite contracts	398	1,885	7,909	380	1,773	7,379
Total	402	1,939	9,436	385	1,880	9,743
Annual average number of part-time contracts	7	62	1,274	10	66	1,215

NUMBER OF CONTRACTS*

	Consolidated perimeter			Corporate perimeter		
	2020	2019	Diff.	2020	2019	Diff.
Indefinite contracts						
Part-time	726	663	9%	754	714	6%
Full-time	8,968	8,682	3%	10,262	9,850	4%
Total	9,694	9,345	4%	11,016	10,564	4%
Temporary contracts						
Part-time	126	171	-26%	140	226	-38%
Full-time	1,282	1,755	-27%	1,683	2,102	-20%
Total	1,408	1,926	-27%	1,823	2,328	-22%

** <1% of employees with contract data unavailable*

Culture of diversity, equality, and inclusion

NH Hotel Group sees diversity as a key factor in building up a network of diverse talent, capable of understanding customers' needs, innovating and reflecting society in the business. For all these reasons, a fundamental pillar of NH Hotel Group's corporate culture is also based on diversity, equality, and inclusion.

Thus, the Company's 12,850 employees in 2020 are of 133 different nationalities and 22.5% of them work in countries that are different to their country of origin. Furthermore, 51% of the total workforce are women, who hold 44% of the total management posts.

133
different nationalities

22.5%
work in different countries to their country of origin

51%
of workforce are women

44%
management posts held by women

As far as age is concerned, in 2020 the percentage of employees over 40 years old was almost 47%, while those between the ages of 25 and 40 represented 44% and those under 25 represented 9%.

In 2020 the workforce also included 89 disabled employees, who represent 0.8% of the global workforce. Additionally, NH Hotel Group is committed to the integration into work of disabled persons through responsible procurement from Special Employment Centres as providers of laundry services. Purchases from Special Employment Centres in 2020 reached 4.4% (e*stimate referring to the workforce in Spain, together with the Special Employment Center employees associated to NH Hotel Group's purchases).*

EQUALITY AND DIVERSITY

	Consolidated perimeter		Corporate perimeter	
	2020	2019	2020	2019
Average number of employees	11,112	11,464	12,850	13,106
Indefinite contracts	87%	79%	86%	79%
Average turnover	21%	Not available	23%	23%
Nationalities	132	139	133	Not available
Immigrants	22%	18%	22%	18%
Women on the workforce	51%	51%	51%	51%
Women in management	44%	43%	44%	43%
Age under 25	9%	11%	9%	11%**
Age between 25 and 40	44%	45%	44%	45%**
Age over 40	47%	44%	47%	43%**
Disabled employees	89	114	Not available	Not available

Through its Code of Conduct, NH Hotel Group formalizes its commitment to promote non-discrimination on account of race, colour, nationality, social origin, age, gender, marital status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social condition of its professionals, as well as to equality of opportunities among them.

The policies and actions relating to selection, hiring, training and internal promotion of employees are based on criteria of capacity, competence and professional merits.

NH Hotel Group, recognized for promoting equality and diversity

Bloomberg Gender & Equality

In January 2021, NH Hotel Group has been included for the second time in the Bloomberg Gender Equality Index 2021. The Company is the only hotel company out of the Spanish companies that appear in the index. This international index, which includes almost 6,000 companies in 44 countries, measures the commitment and contribution in terms of transparency of gender information and promotion of equality. NH Hotel Group sees this inclusion as an opportunity to continuing working globally on diversity and inclusion.

Equality Plan

In July 2010, NH Hotel Group signed its Equality Plan with representatives of the workers. To draw up this plan, the Company carried out an exhaustive diagnosis of the situation and position of men and women, which confirmed that NH Hotel Group in Spain had a high presence of women and a high number of female executives present in the organization.

After this positive first assessment, work was done on an action plan with specific measures in different areas of access to the company: hiring, promotion, training, remuneration, work-life balance, occupational health, communication, and awareness-raising that would make it possible to eliminate or correct inequalities in these areas.

The document also included a series of measures to ensure the protection of women who are victims of gender violence: giving them priority in hiring, monitoring any cases of gender violence as well as the measures taken that arise, and informing the workforce of the rights of women in this situation.

In order to guarantee compliance with the objectives set out and the execution of the actions established in the Plan, a Monitoring and Evaluation Committee was also created, made up, on a parity basis, of representatives of the company and of the signatory trade union organisations.

This Plan enabled the Company to develop mechanisms to facilitate greater female representation throughout the organisation's hierarchical structure. It was also the starting point for the development of the guidelines that define the Company in terms of its commitment to equality, focused not just on gender difference, but on different nationalities, age, sexual orientation, ethnicity, beliefs, religion, disabilities…This is also recognised in the NH Hotel Group Code of Conduct.

The work carried out made it possible to replicate the diversity and equality diagnostic and assessment process in other countries, creating action plans on this matter in all Business Units.

In January 2020, a negotiating commission was set up with the main trade unions in Spain to work on the Company's **II Equality Plan.** The COVID-19 crisis meant that the progress of the negotiations and the development of the Plan had to be postponed, having been resumed after the publication of Royal Decrees 901/2020 and 902/2020 in order to comply with them and within the established deadlines.

Protocol against sexual harassment

As a complement to the Plan, and to facilitate its implementation and raise awareness amongst employees, it includes a Protocol for the prevention and treatment of situations of sexual harassment and harassment on account of gender in the workplace, as well as a manual for non-sexist use of language.

A team with the same opportunities

The salary of women in NH Hotel Group in 2020 represented 91% of the gross hourly salary for men; the average gross wage per hour was 15.85 euros for men and 14.36 euros for women. The pay gap has been calculated by comparing salaries between equivalent categories of professionals, as a result of the average salary of women compared to men. That is, those who perform the same function or have the same position.

The overall figure for the pay gap is obtained by weighing the gaps obtained in the comparison between average remuneration (considering fixed and variable remuneration paid) received by the professionals in each category for the number of professionals in that category.

RATIO OF WOMEN'S SALARY TO MEN BY PROFESSIONAL CATEGORY (%)

Consolidated perimeter

	2020	2019
Top Management	75%	73%
Middle Management	97%	99%
Staff	102%	100%
Total	91%	89%

This analysis of the pay gap has served to identify that the gap increases in Top Management, especially due to the lower presence of women in this category.
This situation offers a great opportunity to carry out an analysis in more depth of the different groups, not just women, and establish as a priority to continue with a long-term project of real management of employee diversity in all respects and support their professional development within the Company. NH Hotel Group will continue working to adopt the most suitable measures to eliminate this gap.

AVERAGE REMUNERATION * BY GENDER AND PROFESSIONAL CATEGORY (Euros)

Consolidated perimeter

	2020		2019		Diff. (%)	
	Women	Men	Women	Men	Women	Men
Top Management	73,634	97,871	75,645	103,456	-3%	-5%
Middle Management	38,390	39,412	38,391	38,880	0%	1%
Staff	22,843	22,478	21,826	21,858	5%	3%
Total	25,798	28,453	24,662	27,693	5%	3%

** The compensation figure corresponds to the gross annual fixed salary plus variable corresponding to the previous year, without considering temporary salary reductions.*

AVERAGE REMUNERATION * BY AGE (Euros)

Consolidated perimeter

	2020	2019	Diff.
Under 25	18,855	18,423	2.3%
Between 25 and 40	25,331	24,751	2.3%
Over	31,187	30,825	1.2%

**The compensation figure corresponds to the gross annual fixed salary plus variable corresponding to the previous year, without considering temporary salary reductions.*

The NH Hotel Group remuneration model

The remuneration policy applied by NH Hotel Group has no gender bias. The annual fixed cash remuneration and variable remuneration, the two fundamental components of the Company's remuneration structure, are established objectively. Fixed remuneration mainly reflects the professional's experience and responsibility in the Company, while variable remuneration rewards attainment of annual targets, which are fundamentally quantitative, and are shared by professionals who perform their activities in the same functional areas.

NH Hotel Group's success depends, to a great extent, on the attainment of individual and collective targets by the professionals who are part of the Company. Variable remuneration within the Company aims to:

- Align individual and collective objectives with the Group's global strategy.
- Measure what is done (individual and collective contribution of employees to the Company's results) and how it is done (performance evaluation).
- Reinforce the importance and commitment of NH Hotel Group to the principles of non-discrimination and equal opportunities.

In Spain, the Company offers a flexible remuneration plan that allows its beneficiaries to assign part of their remuneration to transport tickets, childcare vouchers, the purchase of vacation days, restaurant card, medical insurance or external training. In this way they benefit from special prices and tax advantages.

Employee engagement

In terms of engagement, and with the aim of supporting employees in the challenging months that lay ahead on both a personal and a professional level, a new global initiative was created: ***"With You"***.

Through this initiative, since the very beginning of the pandemic, communications were sent out to all employees offering advice and resources to help them care for their wellbeing, foster self-development, and keep them engaged. The communications were sent out using the different corporate channels (email, MyNH app, intranet, WhatsApp), in order to reach as many employees as possible.

As part of this initiative, a special set of communications was sent out to managers, to help them strengthen their leadership in times of uncertainty.

Two months after **"*With You*"** had started, a survey was conducted to obtain feedback from employees on the initiative in general, on specific resources that had been made available to them and on what things had interested them more or what new content they would like to see in future communications.

Under this ***"With You"*** framework, each of the business units also launched their own actions, which were more specific and adapted to each region:

- BU Northern Europe launched "*Learning Bites*", small training modules on change management, time management and work-life balance.

- BU Southern Europe gave access for one month to a platform to learn English and, in the case of Portugal, to all the courses on the LinkedIn training platform.

- In BU America, the programme created in the Colombia & Ecuador region stood out with six lines of work related to emotional and physical health care, personal and professional growth, life purpose, leisure and recreation, and how to build positive relationships. All lines of work ultimately aimed at the well-being of employees in the region and also included the donation of food to the families of the most vulnerable employees.

- Finally, at the corporate offices, English language training was implemented through Vaughan and employees were offered the possibility of collecting office material to facilitate working from home.

Furthermore, in light of the exceptional circumstances during the year and in order to facilitate participation of as many active employees as possible, a decision was made to postpone the biennial ***Employee Engagement Survey*** until 2021.

Internal Communication

For NH Hotel Group, internal communication is a key factor in generating and maintaining employees' engagement with the Company, as well as a powerful lever of change management.

In 2020, Internal Communication has experienced one of its most critical and relevant periods, consolidating its role as a key player in maintaining employees' engagement and motivation at a time of great uncertainty. Faced with continuous challenges, the area has managed to show its maturity, responding swiftly and making optimal use of both its knowledge and its versatile digital tools.

MAIN INTERNAL COMMUNICATION PROJECTS IN 2020

COVID-19 CHANNEL AND LEADER VISIBILITY PLAN

In 2020, the communication channels were adapted to the new scenario, betting also on the implementation of a Visibility Plan for leaders. The COVID-19 channel was designed to offer updated information on the different contingency plans and protocols implemented by the Company in its different areas.

In striving to maintain employee engagement based on transparency, the Company designed a leader Visibility Plan. Senior Management of the Company, through different videos featuring the CEO, the Management Committee and the Managing Directors of the Business Units, offered clear and direct messages on the reality of the Company and the difficult measures taken, also taking the opportunity to offer messages of motivation and gratitude to all employees for the huge efforts made and the commitment shown.

'FEEL SAFE AT NH' INTERNAL CHANNEL

Alongside the global 'Feel Safe at NH' project, designed by the Company to assure the health and safety of its guests and employees, an internal communication channel with the same name was created. The new 'Feel Safe at NH' channel not only communicated the stricter protocols and safety standards, but also gave visibility to the extraordinary work carried out by employees, the most inspirational hotel reopenings and status of the Company's different projects and actions.

'NH RESPONSE' and 'TOGETHER WITH LOVE' COMMUNICATIONS

Internal Communication wanted to value and give visibility to the Company's response to the health crisis, which consisted of offering support to authorities, health agencies and social organisations through its products and services, all of this thanks also to the valuable involvement of its employees. Through newsletters, the intranet and the employee app, the initiatives devised as part of the 'NH Response' programme were communicated: donation of products, medicalisation of hotels, … as well as special initiatives such as collaboration with World Central Kitchen led by chef José Andrés, in which the Company collaborated so that more than 140,000 meals could be distributed among the most vulnerable during the pandemic.

Sustainable Business has also promoted special Corporate Volunteering initiatives as part of its 'Together With Love' programme. These initiatives, designed in conjunction with the Internal Communication team, were aimed mainly at offering support to groups most affected by the crisis. Over the Christmas period, all the Company's Business Units launched charitable campaigns under the slogan 'Together With Love' to continue providing support to these groups. The Company is very proud of the great participation and involvement of its employees in these initiatives.

MAIN INTERNAL COMMUNICATION PROJECTS IN 2020

MyNH APP and TELL THE WORLD

NH Hotel Group has continued to consolidate its internal communication channels and digital tools in a year in which being able to reach all employees, whether or not they were involved in temporary measures affecting their employment, has been key. MyNH, the exclusive app for the Group's employees, has experienced the time of its greatest impact on generating engagement, as for many employees it became the main channel to keep connected and informed of the Company's news.

In 2020, the 'Tell The World' newsletters continued to be sent out, highlighting the Company's major corporate milestones, at a time when keeping employees informed has been more important than ever.

VIRTUAL TOWN HALLS

Both the Leader Visibility Plan and the Town Halls, featuring the Company's CEO, have been key in aligning all employees with the Company's strategy and the contingency measures that it has been forced to take in 2020.

These conferences, now more than ever, seek to share the most relevant milestones with all employees and reaffirm the commitment of the Senior Management and the main leaders of the different Business Units to the Company's internal communication.

In 2020, the Town Hall format was adapted to the new circumstances, going virtual thanks to the technological solutions previously implemented and in use in the Company.

Employer branding – Further Together

NH Hotel Group is proud that its employees are the key to the success of the business. Therefore, it strives to consolidate the NH Hotel Group employer brand throughout the world, to attract and motivate the best talent among employees and external candidates.

The long-term goal of the Employer Branding (EB) plan is to establish a unique culture around our values as an employer brand, through uniform and consistent communication of the Company's identity and essence. To do so, work has continued on the "Further Together" campaign, featuring employees from all Business Units who talk first-hand about what they like most about working in the Company, thus becoming Ambassadors of NH Hotel Group.

At the end of 2020 and as part of its Employer Branding strategy, the Company launched the ***"Hello! I'm …."*** campaign, with the aim of explaining the Feel Safe at NH project from the point of view of the Group's employees. On the Group's Instagram profile, employees show how this project impacts each area of the Company, and how they keep the hotels safe for guests.

Memorable Dates

Memorable Dates continues to mark the most significant anniversaries (5, 10, 15, 20 and 25 years), as well as the retirement of hotel and central office employees in all Business Units. Unfortunately, the health recommendations and safety distancing requirements have made it necessary to postpone celebrations of these events where the sole stars are our employees whose milestones are being recognized.

Performance management

At NH Hotel Group the performance management process is a key and consolidated element of our leadership culture, carried out through Time for You.

The evaluation of the performance and skills of the NH Hotel Group professionals allows us to know our internal talent in order to guide their training and professional development more effectively. The evaluation serves to identify the strengths and development areas of professionals in the performance of their work and forms the basis for defining the different development plans. The results of these evaluations are linked to their professional development and the increase in their variable remuneration.

Time for You (TFY)

It's a performance management process aimed at all permanent employees who have at least 3 months' service in the Company.

Performance in qualitative terms, ***how*** goals are achieved, is evaluated based on skills that serve to steer employees' training and professional development effectively. Through TFY, the strengths and development areas of employees in the performance of their work are identified, and based on the areas for improvement identified, the different development plans are defined. The overall evaluation obtained also impacts other human resources processes such as in internal selection processes, talent or variable remuneration.

Due to the extremely unusual situation in middle of 2020, it was not possible to carry out the **Mid-Year Review** formally. However, to encourage managers to be closer to their teams and build a stronger relationship with them, they were nonetheless encouraged to have a conversation with each member of their team, and ask them questions about their emotional and personal situation, recognize their achievements, reflect together on what they have learned, exchanging feedback and agreeing with them what was the best way to provide mutual support going forward.

In December, it was possible to launch the **Annual Review** process along simpler lines for employees who had been active during the last three months of the year. The Company wanted to make this conversation special, turning it into a "*With You* moment", based on appreciation for and recognition of the exceptional team spirit shown. For this purpose, the internal communication campaign "More than ever, thank you. More than ever, time for you" was launched.

The target employee participation rate in 2020 was 91%.

360º Evaluation Process

The 360° evaluation process is part of the "Global Leadership and Talent Management" strategic pillar and all hotel managers and deputy managers at global level participate in it. At the end of 2019, the 3rd edition of the process was launched, which seeks to measure the progress in skill development by these key leaders in NH Hotel Group, as well as the effectiveness of the action plans they defined in the last evaluation. In this 2019 edition, 329 managers and deputy managers took part. This is a completely anonymous process which also helps to improve participants' self-knowledge through the information they receive from all the people invited to respond, from each perspective: peers, team, management, and self-evaluation.

In 2020, participants received a personalized report, designed as a workbook that included questions for reflection to help them work on the design of a new development plan. They shared this individual development plan with their manager at the 2020 TFY at the end of the year, when the actions plans built up in different company processes aimed at employee development (360º Evaluation, Talent or Time for You) were formalized.

Talent Management

NH Hotel Group has implemented a process to help identify and develop talent by looking not just at sustained performance over time but also at the potential and ambition of the people who have key positions in the Company. In this way, NH Hotel Group assures that key roles for the future are adequately channelled. The overall objective is to create a mindset of talent in leaders at all levels, starting with the top 100 executives in the Company and going on to our Hotel General Managers and Heads of Department and Directors and Managers in central services.

Training: NH University

NH Hotel Group is committed to the professional development and training of all its employees as a means of making the philosophy that inspires its vocation for customer service a reality. All the face-to-face and online training projects are managed through the corporate university, NH University. Every year the training curriculum is adapted so that the people who work at NH Hotel Group can continue to refresh both their technical knowledge and their skills.

In 2020, training has focused on making the hotels a safe place, reviewing the protocols and procedures related to the pandemic situation. All employees were also given access to online training through platforms such as Typsy, GoodHabitz or LinkedIn as part of the ***"With You"*** project.

The total number of hours of training, both face-to-face and online, in 2020 was 68,902 through 1,071 training programmes. NH University has trained 7,772 employees, which represents more than 50% of the total workforce.

Face-to-face training, which also includes training provided through webinars, has represented 63% of the total training hours with 195 internal trainers conducting the sessions.

In addition, the Company received a total of €68,453 in public grants for training.

231,481 €
Total investment in training in 2020

68,902
hours of face-to-face and online training

52,269
participants in
1,071
programmes

7,772
team members trained

TRAINING

	Consolidated perimeter		Corporate perimeter	
	2020	2019	2020	2019
Hours per employee trained (face-to-face)	10.2	12.4	11.8	12.4
Hours per employee trained (e-learning)	3.9	4.3	4.2	4,3
Total hours per FTE	4.8	10.3	5.4	11.1
Total hours per employee trained	8	7.1	8.9	7.2

In March 2020, training plans were put on hold due to the package of measures and budget adjustments activated to manage the COVID-19 crisis.

This suspension led the area to rethink its strategy, prioritising the most necessary and useful training, adjusted to the reality that employees were experiencing. Thus, the following lines of work were launched:

- Within the framework of the **Feel Safe at NH** project, training was launched in Health and Safety at Work, as well as in the new operating standards related to the safety and protection of our customers and team members.

- As for the coverage of other critical training needs for the business, these were taken up again only with internal trainers and via webinars, due to the necessary safety distancing and the impossibility of travelling. Training resources, such as videos, were also designed and created internally, and made available to employees on the NH Talent training platform.

- The "**With You**" project also launched access for all team members to two training content platforms, allowing each employee, whether they are working or not, to reinforce their knowledge and continue to invest in their own development:

  - **Typsy**: the world's leading online training platform for the hospitality industry, created especially by and for hospitality professionals, with more than 700 short training videos on cooking, bartending, service, leadership...The videos are in more than 18 languages, making it easy for any employee to learn. Access lasted approximately 6 months and, in total, more than 800 employees were trained for more than 2,400 hours.

- **GoodHabitz**: an international training platform focused on making training fun, different and personalised for each participant. GoodHabitz allows you to learn in the way that best suits you, read magazines, watch videos, or complete only the sections that interest you. Training in leadership, communication, languages, management skills and much more is available to all team members from May 2020. Up to December 31st, more than 370 employees were trained in more than 1,300 hours. Access will be available until May 31st, 2021.

TRAINING HOURS BY BUSINESS UNIT

	Consolidated perimeter			Corporate perimeter		
	2020	2019	Diff.	2020	2019	Diff.
Face-to-face training						
Corporate	868	5,779	-85%	868	5,779	-85%
Americas BU	12,085	13,562	-11%	15,690	14,321	10%
Northern Europe BU	5,843	30,783	-81%	6,318	31,964	-80%
Southern Europe BU	13,814	28,321	-51%	20,763	28,766	-28%
Total	32,610	78,445	-58%	43,638	80,830	-46%
Online training						
Corporate	919	1,144	-20%	919	1,144	-20%
Americas BU	2,842	5,315	-47%	3,601	6,403	-44%
Northern Europe BU	7,381	27,250	-73%	8,393	30,762	-73%
Southern Europe BU	9,176	14,625	-37%	12,351	15,511	-20%
Total	20,318	48,334	-58%	25,264	53,820	-53%
Total training hours	52,928	126,779	-58%	68,902	134,650	-49%

EMPLOYEE TRAINING HOURS BY PROFESSIONAL CATEGORY

	Consolidated perimeter				Corporate perimeter			
	2020		2019		2020		2019	
	Face-to-face	Online	Face-to-face	Online	Face-to-face	Online	Face-to-face	Online
Top Management	2,520	660	7,825	3,036	2,823	755	7,528	2,828
Middle Management	8,387	3,007	24,843	7,050	9,975	3,624	24,050	6,446
Staff	21,703	16,651	48,162	43,735	30,840	20,885	46,867	39,060
Total	32,610	20,318	80,830	53,820	43,638	25,264	78,445	48,334

FACE-TO-FACE TRAINING HOURS BY DEPARTMENT

	Consolidated perimeter			Corporate perimeter		
	2020	2019	Diff.	2020	2019	Diff.
Admin	464	680	-32%	856	720	19%
Food and Beverages	11,129	24,011	-54%	15,043	24,680	-39%
Management	3,371	8,360	-60%	3,999	8,680	-54%
Maintenance	1,197	2,713	-56%	1,799	2,821	-36%
Housekeeping	2,049	4,417	-54%	2,880	4,643	-38%
Reception	9,315	17,854	-48%	12,600	18,561	-32%
Reservations	1,126	7,911	-86%	1,591	7,911	-80%
Revenue Management	649	1,749	-63%	659	1,754	-62%
Central Services	1,484	6,063	-76%	1,662	6,063	-73%
Sales	1,707	4,608	-63%	2,127	4,914	-57%
Other	120	77	55%	423	82	415%
Total	32,610	78,445	-58%	43,638	80,830	-46%

Feel Safe at NH Training

To ensure effective implementation of the Feel Safe at NH measures, Human Resources is working on a specific training plan for each position that will assure the training of our team members. Specifically, for all team members of hotels that are opening, the following training courses are being given:

- Training on COVID-19 to raise awareness of the risks of the novel Coronavirus and the preventive measures to be taken individually.

- Training on Feel Safe at NH where the project and the new operational promises are presented to all team members. The new position of Health and Safety Managers is introduced, so that everyone knows who will take on this role in the hotel, as well as their mission and main duties.

- Specific training for each department on the new regulations and procedures to apply in order to assure safety in our hotels.

- Training for Managers and Heads of Department to help them rejoin their teams and identify what emotions they may be experiencing and how to deal with them.

In addition, a specific itinerary has been defined for the new Health and Safety Managers with training on communication skills, influence, effective meetings or change management, among others.

7,988 hours of training with **8,662** participants and

3,283 employees trained throughout all business units

Flexibility and work-life balance: 'New Way of Working'

For NH Hotel Group, work-life balance is about finding a balance between the needs and interests of team members and the Company.

NH Hotel Group's culture has been evolving in recent years towards a more flexible model, in which people can enjoy greater facilities in terms of time management and organisation, and the development of their work in environments adapted to their activities and which have the necessary tools. The project, called "**New Way of Working**", is structured around three lines of action:

- Redefinition and adjustment of physical office spaces according to employees' needs
- New technological equipment and systems that facilitate flexibility
- New flexible working culture in terms of both hours and workplace

The "New Way of Working" initiative has enabled the entire organisation and its employees to adapt quickly, flexibly and without constraints to the specific requirements of remote working and virtual meetings, especially since March 2020 in view of the exceptional situation caused by the COVID-19 pandemic.

Thus, in order to further improve the ergonomics and quality of working from home, the organisation provided employees with a computer screen and an ergonomic chair for use at home.

Additionally, in NH Hotel Group's corporate offices, the team of mayors has continued to develop its function aimed at facilitating change management, communication, employee involvement and question resolution. These 7 Mayors represent each of the neighbourhoods or areas of the offices (Commercial, Marketing, General Secretary, Operations, Finance, Expansion and Assets and People).

MAIN WORK-LIFE BALANCE AND FLEXIBILITY MEASURES AND OTHER EMPLOYEE BENEFITS IN NH HOTEL GROUP

Exams during working hours	Giving notice 48 hours in advance and providing evidence of attendance at the exam.
Fulfilment of an unavoidable public and personal duty	The Company grants the time required to fulfil this duty.
Assisted reproduction techniques	Any employee undergoing assisted reproduction techniques is entitled to be absent from work, subject to prior justification.
Birth or adoption	The Company offers: • A financial bonus on birth or adoption of a child. • Guaranteed remunerated leave of absence for the formalities prior to international adoptions. • Possibility of a sabbatical of 4 to 6 months for employees in international adoption processes, keeping their job. • Possibility of joining paternity leave to annual vacation leave in order to facilitate travel of the other parent when the child was born outside Spain.
Fostering the hiring of women who have been victims of gender violence	Priority in hiring women who provide evidence that they are victims of gender violence, other conditions being equal.

MAIN WORK-LIFE BALANCE AND FLEXIBILITY MEASURES AND OTHER EMPLOYEE BENEFITS IN NH HOTEL GROUP

Geographical mobility	Preference in geographical mobility to care for dependents (children and family members).
Promoting new technologies	Use and encouragement of new information technologies (videoconferences, etc.) whenever possible, to avoid constant travelling or commuting.
Flexible hours and shorter workday	Flexibility in start and finish times. Shorter workday in summer and on Fridays all year round.
Workplace flexibility (teleworking)*	For all job positions outside collective agreements that are compatible with this system. At present, there are no specific work disconnection measures.
Discount programme	Access to a programme of online discounts and exclusive prices for a wide range of products, services and leisure activities. Available through the Coperama platform.
Virtual bank	Virtual bank that offers financial products and services at advantageous conditions to employees and former employees, as well as sharing proportionally each year 50% of the profits it has generated. 126 employees of the central office and the CRO are already customers of this bank.

Health and wellbeing at work

NH Hotel Group understands that offering people a safe and healthy working environment is an absolutely necessary requisite. In Spain, NH Hotel Group has an Occupational Risk Prevention Plan which is the master document that governs the Occupational Health and Safety actions to be carried out at the Company's workplaces in Spain. This Plan includes, among others, essential procedures such as:

- Risk Assessment
- Health and Safety Training and Information
- Health Monitoring
- Health Damage Management
- Emergency Management
- Maternity Protection
- Personal Protective Equipment
- Business Activity Coordination

The Plan is based on the integration of these processes throughout the Company's hierarchical structure. Both Central Services department managers and hotel personnel (from General Managers to staff) have been assigned functions and responsibilities in this area. Furthermore, in Spain there is a Joint Prevention Service which provides services to the NH Hotel Group hotels and workplaces in Spain.

In other countries, this Plan is not applicable and therefore technical advising on Occupational Risk Prevention is outsourced with external service providers. In some countries, NH Hotel Group

employees are designated as responsible for coordinating the actions of these service providers and for implementing the established corrective measures and prevention procedures.

NH Hotel Group strives to promote a culture of occupational health as part of its commitment to health and safety. The integration of occupational health into the Company's activities is reflected in the programmes and action plans in hotels and offices in different countries.

In addition, in 2020, due to the COVID-19 crisis and as part of the Company's recovery strategy, a range of health and safety measures were designed, certified by experts on the matter, to be implemented in all hotels in order to assure the health, safety and social distancing of both guests and employees.

All the measures included in the Feel Safe at NH project have been devised to ensure that our hotels guarantee a comfortable and safe stay, and for this purpose the entire operation of the hotels has been reviewed and redesigned: contingency plan, SGS health inspection certificates, personal protection equipment and safety protocol, advanced digital services, water purification and air quality protocols, enhanced cleaning and disinfection protocols, F&B services adapted to the current situation, safety distancing regulations, health and safety protocols for employees and health and safety managers in hotels.

To ensure the effective implementation of the Contingency Plan and the Feel Safe at NH standards in each of the Company's hotels, a health and safety manager has been appointed. In most of the hotels, this figure is the hotel manager. In the event that, functionally or for organisational reasons, the manager cannot assume these functions directly, they will delegate them to another member of the team that they designate, with the approval of the Management Committee.

Likewise, the health and safety manager is responsible for centralising, distributing and administering all health and safety information in each hotel related to COVID-19.

HEALTH INITIATIVES IN NH HOTEL GROUP

WITH YOU wellbeing editions	Through special editions of With you, employees have been encouraged to take part in the training programmes, available on the platforms, related to wellbeing, such as how to turn stress into something positive, or be resilient to come back stronger.
Holistic Concept	The Company engaged the services of Holistic Concept to help all its team members with the situations of tension in their day-to-day activity. All employees therefore have access to more than 200 audios and videos that, in less than 15 minutes, improve concentration, creativity and motivation, reduce anxiety and muscle tension and help to manage the uncertainty of the present difficult times.

Health and safety training

Training courses on occupational risks depend on the legislation in each country and we therefore have an extensive catalogue of training in this area, ranging from Food Handling, to basic First Aid. Furthermore, this year the programmes have had to concentrate mainly on the training relating to the novel coronavirus: what it is, how to identify symptoms and what to do in the event of an employee or guest becoming infected.

OCCUPATIONAL HEALTH AND SAFETY TRAINING 2020

	Consolidated perimeter		Corporate perimeter	
	Face-to-face	Online	Face-to-face	Online
Number of employees trained	1,440	2,589	1,620	3,065
Number of programs	225	57	251	58
Hours of training	11,072	5,444	14,617	6,991

Accidentability and occupational diseases

ACCIDENTS

	Consolidated perimeter			Corporate perimeter		
	Women	Men	Total	Women	Men	Total
Fatal accidents	0	0	0	0	0	0
Accidents requiring time off work	62	55	117	82	69	151
Serious accidents requiring time off work	4	2	6	4	2	6
Accidents not requiring time off work	29	21	50	36	26	62
Total	91	76	177	118	95	213

90% of workforce scope. Information from the following countries are not included: Andorra, Austria, Belgium, Brazil, Czech Republic, Dominican Republic, Haiti, Hungary, Ireland, Luxembourg, Romania, Slovakia, Switzerland, United Kingdom and Uruguay.

OCCUPATIONAL ILLNESS

	Consolidated perimeter			Corporate perimeter		
	Women	Men	Total	Women	Men	Total
Fatal occupational illnesses	0	0	0	0	0	0
Occupational illnesses requiring time off work	13	5	18	13	5	18
Serious occupational illnesses requiring time off work	0	3	3	0	3	3
Occupational illnesses not requiring time off work	6	4	10	6	5	11
Total	19	9	28	19	10	29

90% of workforce scope. Information from the following countries are not included: Andorra, Austria, Belgium, Brazil, Czech Republic, Dominican Republic, Haiti, Hungary, Ireland, Luxembourg, Romania, Slovakia, Switzerland, United Kingdom and Uruguay.

In 2020, NH Hotel Group recorded 29 occupational illnesses, with 19 illnesses occurring in women and 10 in men. Most of them are related to damage to the musculoskeletal system such as bursitis, tendinitis, etc.

ACCIDENT AND OCCUPATIONAL ILLNESS RATES

Consolidated perimeter

	2020		2019	
	Women	Men	Women	Men
Frequency Rate (FR)* fatal accidents	0	0	0	0
Frequency Rate (FR)* occupational accidents requiring time off work	6.1	5.6	13.33	10.89
Frequency Rate (FR)* occupational accidents with high-consequence	0.39	0.2	N/A	N/A
Severity Rate (SR)*** occupational accidents	0.13	0.11	0.26	0.21
Frequency Rate of fatal occupational illnesses	0	0	0	0
Frequency Rate of occupational illnesses	1.9	0.9	1.21	0.45
Frequency Rate of serious occupational illnesses	0.05	0.01	N/A	N/A
Severity Rate of occupational illnesses with high-consequence	0.05	0.01	N/A	N/A
Severity Rate of occupational illnesses	0.2	0.1	0.02	0.003
Corporate perimeter				
Frequency Rate (FR)* fatal accidents	0	0	0	0
Frequency Rate (FR)* occupational accidents requiring time off work	7.15	6.16	15.02	12.34
Frequency Rate (FR)* occupational accidents with high-consequence	0.35	0.18	N/A	N/A
Severity Rate (SR)*** occupational accidents	0.21	0.12	0.29	0.23
Frequency Rate of fatal occupational illnesses	0	0	0	0
Frequency Rate of occupational illnesses	1.7	0.9	1.21	0.45
Frequency Rate of serious occupational illnesses	0.05	0.01	N/A	N/A
Severity Rate of occupational accidents with high-consequence	0.05	0.01	N/A	N/A
Severity Rate of occupational illnesses	0.17	0.09	0.02	0.003

90% of workforce scope. Information from the following countries are not included: Andorra, Austria, Belgium, Brazil, Czech Republic, Dominican Republic, Haiti, Hungary, Ireland, Luxembourg, Romania, Slovakia, Switzerland, United Kingdom and Uruguay.

**Accident rates have been calculated in respect of a representative sample of data*
*** FR = number of workplace accidents or occupational illnesses / hours worked *1,000,000*
**** SR= days lost by workplace accidents or occupational illness / hours worked *1,000*

Turnover and absenteeism

EMPLOYEE TURNOVER RATE BY BUSINESS UNIT 2020 (%)

	Non-voluntary			Voluntary			Total
	Women	Men	Total	Women	Men	Total	
Consolidated perimeter							
Central offices and CRO	2.6	3.7	6.3	4.8	3.7	8.5	14.7
BU America	5.7	5.3	11.0	6.0	4.8	10.7	21.7
BUNE	8.2	7.7	15.9	1.5	1.8	3.3	19.2
BUSE	4.9	5.5	10.4	9.1	8.0	17.0	27.4
Total	6.4	6.2	12.6	4.6	4.0	8.6	21.3
Corporate perimeter							
Central offices and CRO	2.6	3.7	6.3	4.8	3.7	8.5	14.7
BU America	5.8	5.9	11.7	6.0	5.0	10.9	22.6
BUNE	8.5	8.0	16.5	1.7	2.1	3.8	20.3
BUSE	5.5	5.4	10.9	10.6	9.4	19.9	30.9
Total	6.7	6.6	13.3	5.0	4.5	9.4	22.7

Due to the characteristics of the hotel business, NH Hotel Group considers it relevant to know and manage the specific turnover of employees with indefinite employment contracts. The table set out below shows the results obtained in 2020 with regard to permanent employees.

TURNOVER OF EMPLOYEES WITH INDEFINITE CONTRACTS BY BUSINESS UNIT (%)

	Non-voluntary			Voluntary			Total
	Women	Men	Total	Women	Men	Total	
Consolidated perimeter							
Central offices and CRO	1.0	0.8	1.8	3.4	3.4	6.7	8.5
BU America	2.1	2.0	4.0	5.7	4.2	9.9	13.9
BUNE	1.4	1.5	2.9	1.1	1.3	2.4	5.3
BUSE	4.9	5.4	10.3	9.2	7.9	17.1	27.4
Total	2.3	2.3	4.6	4.5	3.8	8.3	12.9
Corporate perimeter							
Central offices and CRO	1.0	0.8	1.8	3.4	3.4	6.7	8.5
BU America	2.4	2.6	5.0	5.7	4.2	9.8	14.8
BUNE	1.4	1.5	2.9	1.1	1.4	2.5	5.4
BUSE	5.4	5.4	10.8	10.6	9.3	19.9	30.7
Total	2.6	2.7	5.3	4.9	4.2	9.1	14.3

ABSENTEEISM IN HOURS*

	Consolidated perimeter		Corporate perimeter	
	2020	2019**	2020	2019**
Accident	43,082	49,000	50,955	57,756
Illness	750,302	846,937	853,653	988,346
Total	793,384	895,937	904,608	1,046,102

**Calculated on working days.*
***The 2019 figures have been recalculated because for the Americas Business Unit, Spain and Portugal, calendar days had been considered instead of working days. In the rest of the geographies, only working days were considered as part of the employee's working day.*

ABSENTEEISM RATE (%)

	Consolidated perimeter		Corporate perimeter	
	2020	2019	2020	2019
Accident	0.2	0.2	0.2	0.2
Illness	3.3	3.6	3.3	3.7
Total	3.5	3.8	3.5	3.9

Employment terminations in 2020

Despite the extraordinary circumstances of the year 2020, in most of the business units it has been possible to carry out a temporary suspension of employment for reasons of temporary stoppage of activity or insufficient income in the Company, hence the number of redundancies has not increased compared to the previous year. All dismissals for objective reasons or disciplinary dismissals have been taken into account in the calculation.

In addition, NH Hotel Group has relied on the economic aid provided by the governments of the countries where it operates.

NUMBER OF TERMINATIONS

Consolidated perimeter	2020	2019	Diff.
Terminations by gender			
Women	174	228	-24%
Men	217	277	-22%
Terminations by age			
Under 25	62	88	-30%
Between 25 and 40	175	238	-26%
Over 40	154	175	-12%
Terminations by professional category			
Top Management	13	17	-24%
Middle Management	43	74	-42%
Staff	335	414	-19%
Total	391	505	-23%

Social dialogue with employees

NH Hotel Group seeks to maintain a model of responsible and positive labour relations based on principles of dialogue, consultation with and participation of workers.

Accordingly, in October 2015 the European Works Council (EWC) of NH Hotel Group was set up as an initiative of the European Federation of Trade Unions in the Food, Agriculture and Tourism sectors (EFFAT) and at the request of affiliates from Italy, Belgium and Spain.

This EWC affects all the Company's workplaces in the European Economic Area and operates under directive 2009/38/EC, as well as its transposition into Spanish legislation. Its principal function is to achieve a level of communication and social dialogue that, in a climate of confidence, makes mutual understanding possible on cross-border matters that affect its employees.

Coverage of NH Hotel Group employees by Collective Bargaining Agreements, which generally include aspects related to employees' health and safety, varies according to the different Business Units.

EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS BY BUSINESS UNIT (%)

	Consolidated perimeter		Corporate perimeter	
	2020	2019	2020	2019
BU America	59	32	59	36
BUNE	94	96	92	95
BUSE	100	100	100	100
Total	92	88	91	87

**In Colombia the Collective Agreement between the company and employees has been considered.*

NH ROOM4 PEOPLE: COMMUNITY

NH Hotel Group seeks to create a positive impact on the communities where it is present through key responsible alliances, solidarity projects and sponsorship.

One of the main goals of NH Hotel Group's sustainable business strategy is to maintain active relations with the communities where it operates, contributing to local development and attending to the needs of each destination where it is present through the business itself. The main goal is to maintain active relations and cover the needs of each location where it is present through the business itself.

NH Hotel Group believes in building responsible and successful alliances with solidarity partners in order to develop stable projects that can be replicated in all Business Units. The Company has therefore defined three lines of global action: Together with Love, Hotels with a Heart and Employability Programmes.

The pandemic brought worldwide tourism to a complete halt overnight. Millions of people lost the opportunity to explore different places and embrace different cultures and customs. In 2020, NH Hotel Group has had to survive in a situation of global crisis, which has not allowed the Company to operate normally. The closure of hotels, together with the social distance measures, have had a very significant impact on each of the three lines of social contribution. Accordingly, in 2021, NH Hotel Group will continue to strengthen its lines of action and its commitment to the most vulnerable, by creating value in the communities where it is present, as it has been doing up to now.

CONTRIBUTION TO SOCIETY

	2020	2019
Total social projects	73	331
Number of NH volunteers	524	1,164
Hotels involved	116	118
Contribution of NGO Rate* (thousand €)	14	244
Contribution of Friend Rate + Employee Rate ** (thousand €)	87.8	162
Social investment (thousand €)	49	133

*NGO Rate – Application of a 30% discount on the best available rate for entities that have been previously assessed and approved by the Corporate Responsibility department.

** Friend Rate and Employee Rate – collecting 2€ and 1€ respectively of the costs of bookings made with the special rate for employees, family and friends and then using these funds in accommodation and restaurant services, special rates and scholarships in the Social Action programs of the different Business Units.

NH Response

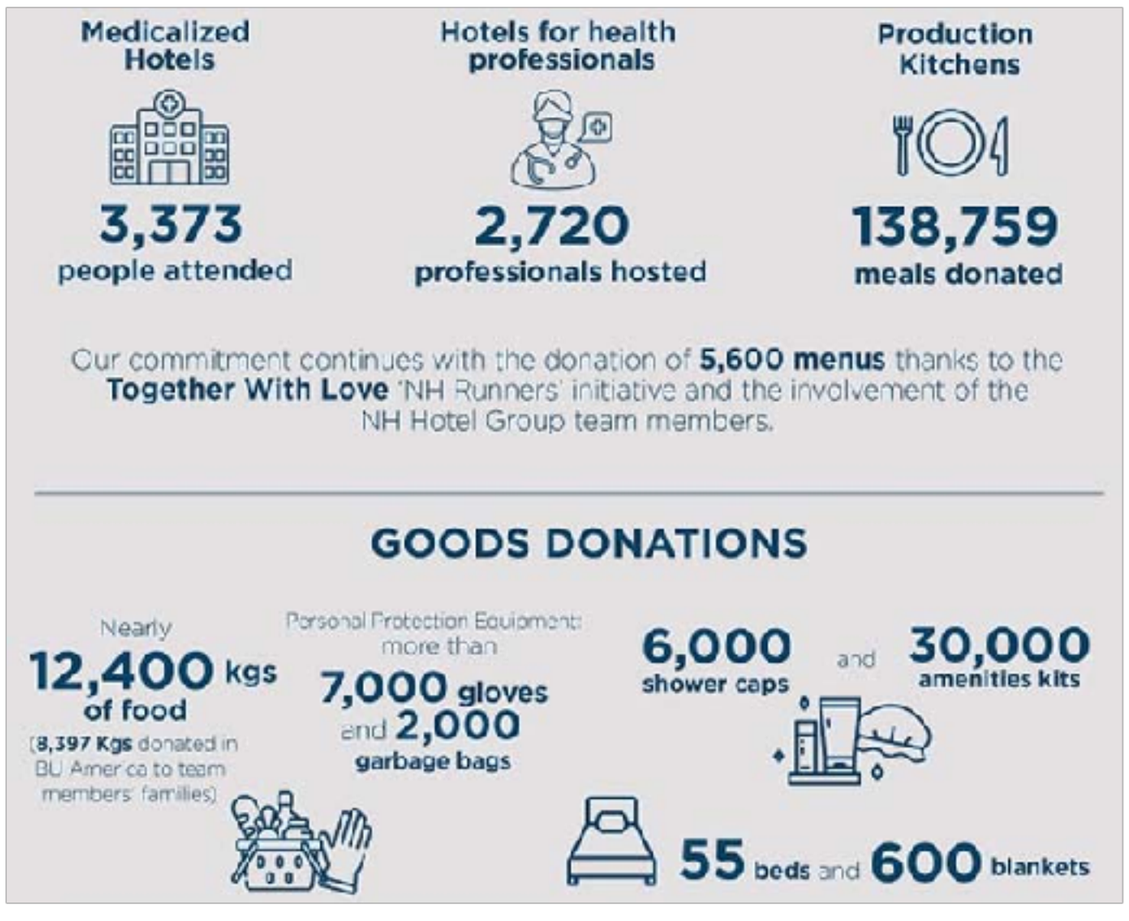
In 2020, NH Hotel Group decided to continue with the Together With Love (TWL) corporate volunteering programme, seeking new ideas and actions that could be compatible with the current situation. Aware of the significant impact that COVID-19 is having throughout the world, NH Hotel Group managed to adapt to the "new" situation, knowing that hospitality and solidarity are more necessary than ever. For this reason, NH continued its corporate volunteering activity,

involving all employees, including those affected by temporary furlough measures, applying at all times the necessary health and safety measures to keep all our team members safe. Our employees collaborated actively as volunteers in responsible projects and were encouraged to foster the Company's citizenship mindset. A spirit of volunteering is instilled in them while contributing to the attainment of the SDG. A challenge that we face while assuring the health and safety of all our team members and the beneficiaries of these activities.

Due to the exceptional situation in which we find ourselves, the Company identified a series of initiatives at the outset to help governments, health authorities and social organisations to deal with the crisis. In this regard, it offered hotels to the authorities so that they could be medicalised, accommodating 3,373 patients and thus helping to relieve the strain on hospitals. Hotels were also designated as special accommodation for 2,720 healthcare professionals.

Furthermore, almost 12,400 kg of food available after the closure of the hotels were donated to food banks and social canteens, as well as 30,000 amenities kits, 7,000 gloves, 6,000 shower caps, 2,000 trash bags, 55 beds and 600 blankets to health centres.

The Company joined in the #chefsforspain movement launched by chef José Andrés to deliver more than 120,000 meals through his World Central Kitchen foundation. NH Hotel Group participated by offering the use of the kitchens of the hotels Anantara Villa Padierna (Marbella), NH Collection Eurobuilding (Madrid) and NH Collection Finisterre (A Coruña), where 138,759 meals were cooked to be donated among the most vulnerable groups during the crisis.



Corporate Volunteering: Together with Love

In 2020, under the motto "Together with Love", NH Hotel Group held a corporate volunteering week at world level for the second time. This is a global initiative focused on sustainability and strengthening relations with the local communities where the Group is present, and all the Company's teams were invited to take part. This way, NH Hotel Group has joined the volunteering initiative carried out annually by Minor International, with which it shares a firm commitment to the development of its Corporate Social Responsibility strategy.

From the start of the pandemic, NH Hotel Group was aware of the need for food and basic products, and so it strove to help vulnerable families and others that, due to the current situation, had seen their income suddenly cut off and never thought that they would end up experiencing such a complicated situation.

With all the necessary safety measures and without endangering the health of its team members, NH Hotel Group launched the **NH Runners** initiative, aimed at all employees, to raise funds for meals through the kilometres completed by employee volunteers.

Our commitment to food donations still continues at present thanks to the 5,600 meals funded through this initiative. In the second week of June 2020, NH Hotel Group proposed the idea of running to contribute during the pandemic. All the Company's employees (including those affected by temporary contract suspensions) had the option of donating the kilometres they had run for a week, with a conversion rate of 1km=1meal.



This volunteering initiative was very well received by all the employees, who enthusiastically took up the opportunity of helping the families most in need this year too, albeit adapted to this extraordinary situation, through remote volunteering and with the necessary safety measures.

524
TWL VOLUNTEERS

10,600
TWL BENEFICIARIES

CHRISTMAS SOLIDARITY CAMPAIGNS OF OUR NH VOLUNTEERS

Today more than ever, NH Hotel Group wishes to stay committed to its Responsible Business strategy, supporting the most vulnerable groups in society. Over the Christmas season, all Business Units have promoted corporate volunteering activities among their team members as part of the Together with Love concept. At this moment in time when we are witnessing a serious worldwide health crisis, it has been more important than ever to show the hospitality and solidarity of our team members.

Americas BU:

NH Hotel Group Colombia and Ecuador have pledged to support and make life easier for its team members during these unprecedented times. Aware of the needs and how the current situation may have had effects on the daily life of our most vulnerable employees and their families, the Company, leaders and collaborators, joined forces through their donations and made it possible to deliver non-perishable basic food to our co-workers for 3 months, as a sign of our affection and support.

Northern Europe BU:

In these challenging times of social distancing and working from home, the Northern Europe business unit wanted to encourage its team members to run in the "NH Santa Run for Charity" initiative. Employees were encouraged to find friends and family to sponsor them in order to obtain donations for the Ronald McDonald Foundation. Thanks to this initiative, they managed to raise €5,000 for the Foundation. With this donation, the foundation will be able to pay for 83 overnight stays for families with sick children who are receiving treatment in hospital.

Southern Europe BU:

Together with the NGO Music for Peace in Genoa, the team members of the NH Collection Genova Marina cooked dinner on December 26th for several homeless people. Volunteers from different departments prepared lunchboxes with a special meal for the most vulnerable, which were distributed at Porta Príncipe station in Genoa.

HQ – Donation to the Food Bank:

During the Christmas solidarity campaign and framed within the "Together With Love" initiative, NH Hotel Group decided to collaborate with Madrid's Food Bank to collect food online through the organisation's website. Since the start of the health crisis, the demand for food has increased by more than 40% and this is why it was decided to contribute to this Foundation. During the four weeks of online collection, a total of 715 kg. were obtained.

Hotels with a Heart - HwH

Hotels with a Heart is an initiative that aims to ensure that children and young people who suffer from a serious illness and have to go to hospital far from their home can be accompanied by their closest family at this difficult time.

To do this, NH Hotel Group provides the families with rooms at hotels close to the hospital free of charge. With this goal, and in close collaboration with local NGOs and foundations, the Company provides free accommodation close to hospitals in several cities at national and international level to families with limited resources, so that they can accompany their loved ones.

Several employees of NH Hotel Group also participate voluntarily in this initiative, acting as the true hosts of these families and "Ambassadors" of the programme in each of the hotels. The NH Madrid Sur is the flagship hotel of the "Hotels with a Heart" programme, as its agreement with the Menudos Corazones Foundation, which started in 2004, is still in place.

Each establishment has a person who takes care of the families, sharing their experiences and helping to make their stay at the hotel as comfortable as possible. Since the programme started, more than 2,000 employees each year have become real hosts to these families, helping make the hotel a second home for them.

#HOTELSWITHAHEART

	2020	2019	Diff.
Agreements with NGOs	31	71	-56%
Nights donated	317	1.059	-70%
Hotels involved	30	49	-39%

Due to the present health crisis, many of NH Hotel Group's hotels have been closed for several months, and this is the reason why the number nights donated is much lower this year.

Promotion of youth employment: employability programmes

Youth unemployment in Spain, which is more significant in groups at risk of social exclusion, requires programmes focused on boosting the employability and social integration of young people.

In 2020, because of the pandemic, it has not been possible to carry out this initiative as the Company has had to prioritize the safety of all its employees and customers. All employability programmes were therefore cancelled this year.

However, NH Hotel Group continues committed to increasing the employability of this group and seeks to promote different projects for training, work experience and jobs for young people at risk of exclusion and with disabilities at hotels in all its Business Units once the status of the health crisis permits it and the risk of contagion is no longer present.

In this way, the projects, which are part of the Community strategy, are also aligned with the Company's commitment to SDG 8, "Decent work and economic growth".

Alliances with Foundations and NGOs

Local impact is achieved thanks to the creation of responsible alliances with foundations and NGOs, the collaboration of employee volunteers in responsible projects and the promotion of culture. To develop social projects that can be replicated in all Business Units, NH Hotel Group believes in building responsible and successful alliances with solidarity partners.

To that end, in each country where we are present, we have continued to work with different foundations and NGOs, such as the Make a Wish Foundation. The collaboration with this entity began in 2005 in Spain, The Netherlands and Italy, offering every facility so that children from all over the world who suffer from serious illnesses can have their wish come true.

In Northern Europe and Germany, the Company collaborates with hospitals and foundations such as the Ronald McDonald Foundation, with which it also participates in programmes centred on the wellbeing of families with sick children, providing them with a home when the foundation houses are full.

Another of the foundations we have been collaborating with for several years is the "*Menudos Corazones*" Foundation. In 2020, initiatives have been carried out remotely, to continue helping people with congenital heart disease and their families more than ever because now, for many of them, their needs are greater. One of these initiatives was the creation of a Storytelling video by employee volunteers. A good opportunity to tell children with heart problems their favourite tale or story.

NH ROOM4 PLANET

In its commitment to the Planet, NH Hotel Group works to minimize its impact on climate change, increase the efficiency of resources and develop more sustainable services, reducing the Company's environmental footprint with responsible consumption of natural resources.

NH Hotel Group is a company committed to the wellbeing of its guests and efficient management of the available resources in the environment where the Group's hotels are located. The Company is aware of the effects of its activity on the environment, and works to prevent and anticipate possible environmental contingencies, as well as to integrate sustainability in all its processes, striving to reduce its impacts.

The Company's environmental management strategy is articulated through **NH ROOM4 Planet**, which defines the roadmap for compliance with the commitments undertaken in relation to the **fight against climate change and progress towards decarbonization, efficient management and responsible consumption** of resources and **circular economy**, the development of **more sustainable products**, but also the involvement of employees, suppliers, partners and customers as key players in attaining these goals.

To formalize the extension of these commitments to the entire operation and the decision-making process of NH Hotel Group, on July 29th, 2020, the Board of Directors approved the new Environment and Energy Policy. This update includes both the supply chain and distribution, the inclusion of new partners or the acquisition of hotels in the portfolio and the operation of hotels under ownership, lease, management and franchise arrangements to comply with this Policy, commitments to which NH has signed up voluntarily, or the applicable environmental laws and regulations.

To manage the environmental strategy, NH Hotel Group has a Corporate Environment Department which reports to the Vice President of Engineering, Maintenance and Environment. Furthermore, with the aim of preventing and reducing environmental risks and impacts, teams from different areas at corporate, business unit and hotel level work in coordination.

Additionally, coinciding with the launch of the new Environment and Energy Policy, in the last quarter of the year a new online course was launched to raise awareness and train employees on environmental aspects and provide them with the skills required to incorporate them in their daily routines and tasks and thus share in attaining the Company's goals.

The Company's environmental management is based on the identification and annual review of the main environmental impacts it could cause through the **environmental risk map**. Although there is a specific process for assessing environmental risks, the methodology followed is consistent with that of the corporate risk management model. In 2020, the risks that have been identified as the most significant are those deriving from climate change, water shortage and the consequences of new European legislation on single-use plastics and the non-inclusion of new technologies for a low-carbon economy. Atmospheric pollution, including noise and light pollution, the consumption of raw materials and the protection of biodiversity were not significant to our business after this analysis.

The updated environmental risk map is reviewed and validated by the Internal Audit Team and the VP of Maintenance, Engineering and Environment, who reports directly to the Chief Operations Officer, who in turn is a member of the Risk Committee.

As far as provisions and guarantees to cover environmental risks are concerned, NH Hotel Group makes investments in environmental activities that are valued at acquisition cost and capitalized as a higher cost of property, plant and equipment or inventories in the year in which they are incurred.

Expenses deriving from the protection and improvement of the environment are charged to the income statement in the year they are incurred in, independently of when the related monetary or financial flow takes place.

In turn, provisions for likely or certain liabilities, ongoing lawsuits and damages, or outstanding obligations for an indeterminate amount related to the environment and not covered by the Company's insurance policies are recorded at the outset of the liability or obligation that determines possible damages or payments.

In 2020, NH Hotel Group has not received any significant fine for environmental breaches imposed by the competent administrations in each region where it operates.

Environmental certification programme

NH Hotel Group hotels have an ISO 14001 environmental management system and the ISO 50001 energy efficiency system certified for accommodation, restaurants, meetings and events services. At the end of 2020, 47.4% of the hotels in Germany, Spain and Italy hold certifications in ISO 14001 – a total of 100 hotels – or ISO 50001 - 30 hotels.

In addition to the ISO certification, there are some hotels that also have other environmental certifications such as BREEAM, LEED, Green Key, Hoteles+Verdes. The aim is to have an increasingly significant volume of hotels with globally recognized environmental certifications, specific to the tourism sector, and approved by the Global Sustainable Tourism Council, the world's leading body.

In 2020, 10 hotels obtained a sustainability recognition for the first time, bringing the total number of certified hotels[3]· to 157 out of 361 hotels in the portfolio. It should be noted that 7 hotels belonging to the Southern Europe Business Unit have obtained ISO certification.

[3] *Some NH Hotel Group hotels have several certifications, so the final figures correspond only to the number of hotels. The scope is all hotels in the portfolio.*

NH Hotel Group has individual certification for 44% of the hotels in its portfolio.

ENVIRONMENTAL CERTIFICATES AT THE END OF 2020

Business Unit	Certification	Consolidated perimeter	Corporate perimeter
Americas BU	HOTELES +VERDES	5	6
	LEED	1	1
	GREEN KEY	8	9
Northern Europe BU	ISO 14001	28	28
	ISO 50001	0	0
	BREEAM	1	1
	GREEN KEY	39	40
Southern Europe BU	ISO 14001	70	72
	ISO 50001	30	30
	BREEAM	3	3
	GREEN KEY	1	1
Total number of certificates		186	191

NEW HOTELS ADDED TO THE CERTIFICATION PROGRAM IN 2020

Hotel	Country	Type of certification
NH Barajas Airport	Spain	ISO 14001 and ISO 50.001
NH Paseo de la Habana	Spain	ISO 14001 and ISO 50.001
NH Las Artes	Spain	ISO 14001 and ISO 50.001
NH Málaga	Spain	ISO 14001 and ISO 50.001
NH Collection Fori Imperiali	Italy	ISO 14001
NH Collection Porta Rossa	Italy	ISO 50001
NH Collection Palazzo Cinquecento	Italy	ISO 50001
NH Essen	Germany	ISO 14001
NH Leipzig	Germany	ISO 14001
NH Mannheim	Germany	ISO 14001

Furthermore, 163 NH Hotel Group hotels obtained the Green Leaders badge from TripAdvisor, with a total of 46% of the Company's hotels holding this recognition.

COMMITMENT TO THE FIGHT AGAINST CLIMATE CHANGE AND PROGRESS TOWARDS DECARBONIZATION

For NH Hotel Group, the fight against climate change is a fundamental strategic value. This is why, in 2019, the Company became the first Spanish hotel company to set carbon emission reduction targets that have been scientifically validated by the Science Based Targets initiative (SBTi) – the leading alliance and driving force in the business sector in the fight against climate change, with the participation of CDP, the UN Global Compact, World Resources Institute and World Wide Fund for Nature.

In this way, NH Hotel Group has formalised its commitment to reduce carbon emissions throughout its value chain by 20% by 2030, thus avoiding the emission of 70,000 metric tons of CO2 into the atmosphere. Setting this target marks out NH Hotel Group's roadmap towards a significant reduction in the carbon footprint of its activity in the coming years, aligned with the goal set out in the Paris Agreement to limit the increase in global temperature to less than 2ºC, and join the efforts being made globally towards the transition to a low-carbon economy.

The Chief Operations Officer is responsible for environmental and climate aspects in the Management Committee and is the person who validates the Company's climate strategy in the NH ROOM4 Sustainable Business model. COO was appointed as an executive member of the Board of Directors.

With effect from October 2nd, 2020, he is also an executive member of the Board of Directors.

The Board of Directors of NH Hotel Group has responsibility for supervising the NH ROOM4 Sustainable Business model, which is one of the Company's strategic pillars.

This supervision and control task is carried out through two of the Committees of the Board of Directors. On one hand, the Nominations, Remuneration and Corporate Governance Committee is responsible for monitoring and overseeing compliance with the model and the Corporate Responsibility Policy of NH Hotel Group. On the other hand, the Audit and Control Committee is responsible for evaluating any matter relating to risks, including environmental and climate risks.

Climate risks and opportunities

Since 2019, NH Hotel Group has managed the risks deriving from Climate Change as part of the risk management model, as Climate Change has been identified as one of the Company's emerging risks.

Alongside this, every year the climate risks the Company is exposed to are analysed as part of the environmental risk map updating process, following the methodology aligned with the corporate risk management model (see section on Risk Management).

In the most recent update of the environmental risk map, in January 2021, regulatory developments such as the EU Green Deal, exposure to extreme weather events and natural disasters, water scarcity and the non-inclusion of new technologies towards a low-carbon economy, have been identified as the most significant climate change risks.

This regulatory environment towards a modern economy, efficient in the use of resources and competitive and neutral in carbon emissions, will have an impact for NH Hotel Group both in terms of investment and renovation of hotels, or acquisition of new establishments. We must remember that 83% of NH's portfolio is in European cities.

Furthermore, the change in weather patterns has a direct effect on heating and cooling systems, leading to additional costs related to the operation and maintenance of buildings, as well as other costs such as insulation, ceilings and maintenance of building exteriors.

The constant analysis of the climate risks to which we may be subjected allows us to be alert and turn them into an opportunity for the Company. Since 2008, we have been able to optimise operating processes and obtain savings through reductions in energy and water consumption of more than 31 million euros.

These actions and commitments help to position NH Hotel Group as a sustainable organisation that respects the environment, thus increasing the value of its brands.

Mitigation and adaptation measures

As a first step to reduce the carbon footprint deriving from the operations of its hotels, the Company has a corporate standard, the "Eco-Efficient Hotel Guide", to integrate sustainability and energy efficiency in the design and construction of new hotels and renovations. This standard guarantees that all the activities of its buildings will take environmental guidelines and climate change risks into account in the design and construction in order to minimise and control risks.

As well as reinforcing the work the Company has been doing for years in terms of efficiency (Energy Efficiency Plan), in order to meet its SBT target of reducing its carbon emission by 20% throughout its value chain by 2030, the Company is working along three other lines:

- An exhaustive analysis of the opportunities to continue working with suppliers and together reduce the carbon footprint. In 2019 and 2020, the suppliers with the largest carbon footprint have been identified and we will work with them to improve reporting channels and to seek alignment to reduce emissions in the value chain.

- Contracting green energy as a critical element to reduce the carbon footprint of its operations. In 2020, the consumption of renewable or green energy is available in 100% of the hotels in Spain, Italy, the Netherlands, Belgium and Luxembourg, covering 69% of the total electricity consumed by the Group's hotels in Europe.

- Offsetting emissions until the target is reached. At the beginning of 2020, work began on an emissions offsetting plan that has been paralysed due to the contingency plan implemented in the Company as a result of the health crisis. In the coming year, work will continue along these lines in order to meet the reduction targets set.

CARBON FOOTPRINT

	Total emissions (t eq CO_2)			Emissions ratio (kg eq CO_2/RN)		
	2020	2019	Diff.	2020	2019	Diff.
Scope 1						
BU America	1,963	4,311	-54%	5.39	3.91	38%
BUNE	18,022	32,182	-44%	8.88	5.77	107%
BUSE	13,665	22,940	-40%	7.47	4.29	84%
Total	33,650	59,433	-43%	7.97	4.94	95%
Scope 2						
BU America	6,192	11,294	-45%	16.99	10.24	66%
BUNE	22,164	27,434	-19%	10.92	4.92	122%
BUSE	1,678	3,080	-46%	0.92	0.57	61%
Total	30,034	41,808	-28%	7.11	3.48	104%
Scope 1+2						
BU America	8,155	15,605	-48%	22.38	14.15	58%
BUNE	40,186	59,616	-33%	19.80	10.69	85%
BUSE	15,343	26,020	-41%	8.39	4.87	72%
Total	63,684	101,241	-37%	15,08	8.42	79%

Following the approval of the emission reduction targets validated by SBTi, NH Hotel Group has estimated, following this methodology, a total scope 3 emissions of 162.752 t eq CO_2[4] in 2020.

The exceptional and irregular operating conditions of the hotels since March and throughout the rest of the year are reflected in NH Hotel Group's carbon footprint data. Absolute emissions decrease in all scopes due to the decrease in activity, and consequently in consumption, however the emissions ratio increases due to the drastic decrease in occupancy (RN).

The Company also participates in different forums and projects to promote the fight against climate change and the reduction of carbon emissions and consumption.

[4] The published scope 3 emissions do not fall within the scope of the audit.

INITIATIVES FOR THE FIGHT AGAINST CLIMATE CHANGE

Participation in Working Groups

Spanish Green Growth Group	Since it was created in 2016, NH Hotel Group has been part of the Spanish Green Growth Group (GECV). It is a public-private collaboration platform to advance together in the fight against climate change and move towards a low-carbon economy.
Working Group on Water and Carbon Footprint of the Sustainable Hospitality Alliance (formerly International Tourism Partnership (ITP))	In 2020, SHA and its members have continued working on the four common goals: two of them being carbon emission and water shortage. NH Hotel Group has participated in working groups with the aim of complementing the individual goals of each company in the sector by working in conjunction to multiply the impact of the actions. The Company has also attended talks and collaborated in drawing up the document "Sustainable Hotel Business Case Studies" published by SHA.
"Challenge and commitment for businesses in relation to mobility"	NH Hotel Group attended and participated in the event organized by the Camera di Commercio Italiana per la Spagna, in conjunction with Share Now, the Institute of Energy Development and Saving and TEMA GC. The purpose of this event was to promote good practices in Spanish companies and to work towards decarbonization.

Global initiative to raise awareness about the reduction of carbon emissions

World Wildlife Fund (WWF) Earth Hour 2020	For the twelfth consecutive year, NH Hotel Group joined in this global initiative to raise awareness about Climate Change. The Group's hotels participated by switching off the lighting of their façades for one hour, and organised activities to involve guests and employees.

EFFICIENT MANAGEMENT AND RESPONSIBLE CONSUMPTION OF RESOURCES

GREEN SAVINGS PROJECT

A project focused on both obtaining savings in the Company's operating costs and on energy efficiency, to ensure savings in resources: water, energy and other expenses.

To keep exhaustive and rigorous control of the energy consumption, carbon footprint and water consumption measures, NH Hotel Group uses the Sustain Focus platform, from which the sustainability strategy indicators are monitored. This is an online system to which almost all the Company's hotels have access and which permits reporting, control, monitoring and traceability of the indicators as well as of water and energy consumption and costs.

Energy Efficiency Plan

This plan groups together "energy efficiency" projects, considering all those that can improve energy consumption in the hotels, as well as the associated costs:

- Changes in equipment, where the replacement involves greater efficiency: light bulbs, minibars, washing equipment, heating and air-conditioning, boilers, coolers…
- Investments related to control of installations: building energy management systems, update of metres, improvements in lighting…
- Actions on façades that represent improvements in the building envelope and in insulation.
- Additionally, in 2019 the Company created a new CAPEX line intended for projects where the goal is not just the economic return but knowing the environmental return. Some of these projects are elimination of fossil fuels and increase in renewable energy. Due to the Contingency Plan drawn up because of COVID-19, most of the projects had to be cancelled.

As a result, energy efficiency improvement projects worth 3 million euros were implemented in 2020.

In addition, in 2020 NH Hotel Group has worked on updating the "**Eco-Efficient Hotel Guide**", with the aim of supporting sustainable growth and reducing the carbon emissions generated by the construction and design of the Company's hotels. This Guide will be applicable to all the brands under which NH Hotel Group operates.

ENERGY CONSUMPTION

	Energy consumption (kwh)			Energy ratio (kwh/RN)		
	2020	2019	Diff.	Ratio	2019	Diff.
BU America	29,127,942	54,090,594	-46%	79.93	49.06	63%
BUNE	199,601,249	275,339,422	-28%	98.33	49.37	99%
BUSE	149,924,219	252,022,163	-41%	81.98	47.20	74%
Total	378,653,410	581,452,180	-35%	89.66	48.37	85%

Due to the difficulties caused by the pandemic, which caused unprecedented situations for the hotels (temporal or prolonged closings, staff reductions and drastic occupancy drops), together with the limitations caused by the confinement of the hotel's technicians and the distribution companies, the consumption data management has been more complicated than usual. This has led the company into making an estimate for the specific months in which data were not available, in order to have the most realistic image of the indicator.

In the specific case of energy, an estimation for monthly gas and electricity data of the consolidated hotels was carried out of 3.5% and 3 % respectively. To achieve this, consumption has been weighted using the occupancy of 2019 and 2020 and considering comparable months (same climatic conditions, given that air conditioning is one of the factors that most influences energy consumption).

ENERGY CONSUMPTION BY SOURCE

	Energy consumption (kwh)		
	2020	2019	Diff.
Natural Gas	158.959.514	229.581.206	-31%
Gas Oil	1.301.329	2.646.296	-51%
LPG	1.885.104	6.800.661	-72%
Propane	422.208	4.291.687	-90%
BTZ	871.032	586.789	48%
Wood Pellets	143.800	232.929	-38%
Electricity	175.225.547	290.375.788	-40%
Renewable electricity	106.311.658	148.609.085	-28%
District heating	38.543.552	44.852.208	-14%
District cooling	1.301.324	2.059.043	-37%
Total	378.653.410	581.426.608	-35%

Water management

Since the first Sustainability Plan was defined in 2007, measures have been implemented to reduce water consumption such as the introduction of aerators and devices placed in cisterns, the installation of novel water recovery and reutilization systems, the efficient procurement of devices such as dish-washing equipment for kitchens, as well as employee training and awareness raising and the redesign of operating guidelines and actions in kitchen and housekeeping. In 2014, NH Hotel Group progressively started to install showers that reduce the volume of water by 40% thanks to their saving technology.

In 2020, the Company has gone a step further in the diagnosis of the impact of its activity with the identification, through the World Resources Institute's Aqueduct tool, of hotels in its portfolio that are located in areas with a risk of water stress. The result of the analysis is that 29% of the hotels in NH Hotel Group's portfolio are located in high water stress areas.

With this snapshot, the Company will work on defining a strategy for water management, with action plans that assure a model of responsible consumption of water resources.

Due to the difficulties caused by the pandemic, which caused unprecedented situations for the hotels (temporal or prolonged closings, staff reductions and drastic occupancy drops), together with the limitations caused by the confinement of the hotel's technicians and the distribution companies, the consumption data management has been more complicated than usual. This has led the company into making an estimate for the specific months in which data were not available, in order to have the most realistic image of the indicator.

In the specific case of water, an estimate has been made for 4% of the consolidated hotels' monthly water data. To achieve this, consumption has been proportionally calculated to the occupancy of 2019 and 2020.

EXTRACTION OF WATER FROM SUPPLY NETWORKS

	Water extraction (m^3)			Water ratio (m^3/RN)		
	2020	2019	Diff.	2020	2019	Diff.
BU America	238,278	445,469	-47%	0,654	0.404	62%
BUNE	855,204	1,506,862	-43%	0,421	0.270	56%
BUSE	828,534	2,037,211	-59%	0,453	0.382	19%
Total	1,922,016	3,989,542	-52%	0,455	0.332	37%

The water consumption that was being reported by the market until last year, according to the definition of "GRI (2016)-303-1-Water withdrawal by source" (water withdrawn), corresponds this year with the information reported in the new water standard "GRI (2018)-303-3-Water withdrawal.

The water that enters the hotels for use in kitchens, cleaning, bathrooms, filling swimming pools, etc. is discharged into the municipal sewage networks. Water consumption attributable to losses that could be caused by evaporation in swimming pools or fountains, irrigation, or cistern tanks and fire water is not significant.

WASTE MANAGEMENT AND CIRCULAR ECONOMY

NH Hotel Group has implemented a system of waste separation at the point of origin in all its hotels to permit and facilitate recycling. The types of waste separated are paper and cardboard, glass, used oil, packaging (plastic, cartons, tins, etc.), and organic. This system permits the recovery of material for recycling and subsequent valuation.

Hazardous waste is separated according to the legal requisites of each region. Withdrawn furniture and fittings that are in good condition during refurbishment processes may be given away to employees or donated to local organizations.

It should be noted that, in 2020, several of the Company's hotels had started to coordinate a project with the aim of reducing the waste generated by the hotels and improving waste management. Due to COVID-19 and the closure of many hotels in our portfolio, this project was set aside, and is expected to resume as soon as the Company's returns to normal operations.

Commitment to reduce single-use plastics

Although the consumption of raw materials is not an aspect that has been significant for NH Hotel Group in its analysis of environmental risks, European legislation on single-use plastic does have a relevant impact.

Accordingly, in 2018 the Company established a plan to eliminate disposable single-use plastic articles from its standards for all brands in the portfolio. In 2020, articles such as plastic cups in rooms, laundry bags, slipper packaging, and candy wrappers, among others, disappeared or were replaced with more sustainable alternatives.

In addition, the soap products offered in the bathrooms will be replaced with dispensers. The plan for the reduction of single-use plastics contemplates the introduction of drinking fountains in public areas, thus avoiding the use of plastic bottles.

NH Hotel Group has estimated that this eliminates 31 million single-use plastic articles in the Group's hotels.

Although the Company's policy is to eliminate single-use plastic articles, a target met in 2020 for plastics deriving from normal hotel operations, one of the cleaning and disinfection protocols implemented in the hotels with Feel Safe at NH was the mandatory requirement that all elements likely to be shared by guests (remote controls, amenities, blankets …) had to be covered with plastic to guarantee hygiene. This has meant that, exceptionally and due to the circumstances of the pandemic, that it has been necessary to obtain and manage 1.6 million plastic bags in the hotels in 2020.

In addition, the mandatory use of masks and handwashing measures has led to the purchase of 1.2 million masks, 1.3 million sanitary towels and more than 30,000 bottles of hydroalcoholic gel and their subsequent management.

CORK2CORK Project

This is a project that arose with the aim of promoting the circular economy and encouraging recycling, reuse and other types of recovery. This project is a pioneering sustainable initiative in the European hotel sector, which NH Hotel Group has developed together with the leading company in cork coverings and stoppers, Amorim.

The aim of the initiative is to recover and recycle the cork stoppers used in hotels to give them a new use by turning them into material for covering or insulation that can be used in the Group's rooms and refurbishments. This insulating material reduces noise pollution and the need for artificial heating in the rooms, thus improving their energy efficiency. In Spain and Italy, 55 hotels participate in this initiative and collect cork stoppers.

In 2020, the Spanish Green Growth Group published "**34 Green Economy Case Studies",** a compendium of best practices aligned to sustainable models and their contribution to competitiveness and the generation of value for the Companies that promote them and society. The CORK2CORK project was selected and published as one of the success cases.

In 2020, because of the health crisis and the decline in the hotels' activity, there has been no opportunity to collect a significant quantity of cork stoppers.

Fight against food wastage

NH Hotel Group is aware that, due to food waste, not only are these resources lost, but also others associated with their production or transport. The origin of food wastage is generated in the process of preparing each of the F&B services.

To minimize the impact of wastage, the hotels apply processes, technical data sheets and preparation standards in the production chain. These are applied based on a forecast of needs (orders), preparation, conservation and turnover of all products, also guaranteeing the best quality.

In 2019, pilot projects were launched to analyse the waste generated in the kitchen, identifying what type of waste was thrown away, at what time, and how much, thus providing useful information to reduce food waste. During 2020 and due to the damage caused by the pandemic, NH Hotel Group is committed to supporting groups especially impacted by COVID-19 through the creation of a new process that increases efficiency in the management of resources and the use of surplus production in kitchens. To this end, it has begun to collaborate with various food start-ups that reuse these surpluses, providing an outlet for the product not consumed in the hotel.

The closure of hotels and reduction of staff during 2020 has forced us to halt these projects, which will restart as soon as activity has returned to normal.

DEVELOPMENT OF MORE SUSTAINABLE PRODUCTS

GREEN HOTEL PROJECT

This project seeks to offer value to customers through sustainable actions, focusing on the innovative attributes that improve brand perception.

The most noteworthy examples of the project are the Eco-friendly Meeting and Events and the Sustainable Mobility services that NH Hotel Group offers in its hotels.

Eco-friendly meetings and events

The Group's hotels seek to involve the client during the celebration of their events, offering the Eco-friendly Meetings & Events service and the carbon footprint calculation service for the events and meetings held. It also offers an emissions offsetting service in collaboration with Carbon Clear, a founding member of the International Carbon Reduction and Offset Alliance.

The carbon footprint of the event is calculated through an internal procedure based on the GHG protocol and the "Guidelines for the preparation of the national inventory of greenhouse gas emissions" of the IPCC (Intergovernmental Panel on Climate Change). The calculation of the event's carbon footprint includes transport and the use of meeting rooms as well as the rooms of the selected hotel.

Sustainable mobility

During customers' stays and sightseeing trips, the Company offers mobility services such as carsharing or bicycle hire. Currently there are more than 26 hotels that offer bicycle hire services, as well as charging points for electric cars installed in 48 hotels. NH Hotel Group has had a global sustainable mobility standard since 2014.

In 2020, the Company has continued to offer electric mobility charging point services, increasing the number of hotels and offices that have this service. This year, a charging point for electric vehicles has been installed for employees of the Headquarters.

The charging points at hotels are currently being updated, improving the technology to offer faster charging adapted to new vehicles.

Customer satisfaction with sustainability

NH Hotel Group measures customer satisfaction with regard to sustainability.

THE 10 NH HOTEL GROUP HOTELS MOST HIGHLY RATED BY CUSTOMERS IN TERMS OF SUSTAINABILITY

Business Unit	HOTEL	Score (0-10)
BU America	NH Puebla Finsa	9.88
	NH Centro Histórico	9.58
	NH Collection Royal Medellín	9.29
	NH Collection Centro Histórico	9.29
	NH San Luis Potosí	9.27
	NH Collection Casacostanera	9.23
	NH Collection Guadalajara Providencia	9.23
BUSE	NH Collection Grand Hotel Convento di Amalfi	9.50
	NH Collection Palacio de Tepa	9.33
	NH Trento	9.28

We would highlight that following the incorporation of the Tivoli hotels into the "Quality Focus" system, the following hotels have obtained a score of 10 in their first assessment: **Tivoli Coimbra, Tivoli Évora Ecoresort, Tivoli Lagos** and **Tivoli Marina Portimão.**

Other notable projects

Sustainable staff canteens

Several of the Company's hotels, wanting to create more sustainable spaces within their establishments, decided to implement sustainable staff canteens. This project consists of renovating the staff canteen to create a completely sustainable space, including criteria for choosing sustainable material. This space has been used to create awareness about climate change and sustainability among the hotel's employees.

Sustainable fishing

Although NH Hotel Group does not carry out its activity in any protected natural area, the Company has a number of different measures and initiatives in place to preserve and restore the biodiversity of the environments where it operates.

The Company's hotels encourage sustainable fishing through legal compliance in respect of consumption of species and a responsible procurement of such products.

Urban vegetable gardens

Some NH Hotel Group hotels have space to install urban vegetable gardens. Growing plants in these spaces enhances the landscape and the gastronomic value of dishes. They also reduce the negative environmental impact by reducing the need to transport these products and they generate a sense of community among the employees.

In 2020, the **NH Alonso Martinez (Spain)** has worked on the GreenNH Roof project. This consists of incorporating an urban vegetable garden in the hotel located in the centre of Madrid, generating a sustainable green space. The garden is on the roof, which has the perfect space for the installation of seedbeds, growing trays or even a greenhouse. The GreenNH Roof is also open to any Company employee who works in Madrid.

The NH Collection Royal Medellín (Colombia) takes care of an ecological vegetable garden where aromatic herbs such as parsley, thyme, mint, rosemary, peppermint, basil, oregano, etc. are grown. These herbs, which are free from pesticides and have a high nutritional value, are used in the hotel kitchen. This hotel also cares for the green area around its hotel, favouring the habitat of numerous animal species, the reduction of noise and pollutants, and maintaining the passageway between natural areas. This green area is open to guests to enjoy.

The **NH Collection Royal Hacienda in Bogotá (Colombia)**, also has a small vegetable garden in its garden area where aromatic plants are grown that are also used in the hotel's kitchen.

In Italy, the **NH Collection Piazza Carlina** and the **NH Milano Congress Center** also have vegetable gardens with aromatic plants; and the **NH Orio al Serio** has another garden where lettuces and tomatoes are grown.

In turn, the **NH Collection Grand Hotel Convento di Amalfi (Italy)**, has a garden in which aromatic herbs, vegetables and citrus fruits are grown to be used in the kitchen and in the cosmetics for the hotel's spa (aloe vera and lavender). Customers can experience this garden through a trail, such as the meditation trail, which consists of visiting the five terraces it currently features: vegetable garden, rose terrace, monks' walk, botanic terrace, and relaxation terrace.

Hotels for bees

Conscious of the limited space in cities for biodiversity, their importance in ecosystems and aware of the critical situation of bees in Europe, five of the Group's hotels continue to provide a home for bees on their roofs in a way that is safe for guests. These hotels are: **NH Wien City (Austria), NH Collection Wien Zentrum (Austria), NH Danube City (Austria), NH Vienna Airport (Austria), NH Berlin Alexanderplatz (Germany), NH Potsdam (Germany), NH Köln Altstadt (Germany), NH München Ost Conference Center (Germany).**

Cage-free eggs

NH Hotel Group promotes animal welfare, prioritizing the use of eggs laid by free range hens. This initiative was implemented in hotels in northern Europe, which currently use free-range eggs in their preparations. Additionally, as part of MINT, the Company joins Minor Hotels in its commitment to procure all eggs consumed in its establishments from non-caged hens by the end of 2027.

AWARDS TO NH HOTEL GROUP IN 2020

CORPORATE AWARDS

NH Hotel Group strives to consolidate its position as a worldwide benchmark for excellence, innovation and sustainability in the tourism sector. The awards and recognitions received in 2020 are a reflection of its commitment to continue advancing on this path.

BUSINESS TRAVELER AWARDS (GERMANY)

- Best Hotel Chain in the world for business travellers (2nd place)
- Best Hotel Chain for travellers in Germany (2nd place)

BRAND FINANCE (SPAIN)

- Strongest hotel brand in Spain

UNIVERSITY OF SALAMANCA (SPAIN)

- Recognition to NH Hotel Group's support to society

AWARDS AND RECOGNITIONS TO HOTELS

LUXURY TRAVEL ADVISOR CONTEST (WORLDWIDE)

- nhow Amsterdam Rai (1st prize)
- Tivoli Avenida Liberdade (finalist)
- Tivoli Carvoeiro Algarve Resort (finalist)

GUÍA BOA CAMA BOA MESA

- **Silver Key Prize** to Anantara Vilamoura Algarve Resort: best accommodation

HOSTELCO (WORLDWIDE)

- NH Collection Grand Hotel Convento Di Amalfi, for best hotel repositioning (finalist)

HOTEL PROPERTY AWARDS (WORLDWIDE)

- nhow Amsterdam Rai (finalist)

ITALIAN MISSION AWARDS (ITALY)

- **1st prize** to the NH Milano Touring as the best business hotel in the North of Italy
- **1st prize** to the NH Roma Villa Carpegna for the best venues for meetings and events in the Center and South of Italy

LLM READERS' TRAVEL AWARDS

- Anantara Villa Padierna Palace Resort (1st prize)
- nhow London (2nd prize)
- NH Collection Grand Hotel Convento Di Amalfi (TOP 15)
- nhow Amsterdam Rai (TOP 45)
- NH Collection Grand Hotel Krasnapolsky (TOP 45)
- NH Collection Doelen (TOP 45)
- NH Collection Guadalajara Providencia (TOP 10)

- NH Collection Casacostanera (TOP 10)
- Anantara Vilamoura Algarve Resort (TOP 5)
- NH Collection Dei Doggi (TOP 20)
- Anantara Palazzo Naiadi (TOP 20)
- NH Collection Carlo IV (TOP 20)
- Anantara Budapest (TOP 20)

CONDE NAST TRAVELLER SPAIN GOLD LIST (SPAIN)

- Anantara Villa Padierna (Marbella): Best New Hotel in Spain

CONDE NAST TRAVELER READERS' CHOICE (USA and UK)

- NH Collection Palacio De Tepa as best hotel in Madrid (6th place)
- NH Collection Grand Hotel Krasnapolsky (TOP 10 in Europe)
- NH Amsterdam Barbizon Palace (TOP 20 in Europe)
- NH Collection Roma Centro (TOP 10 in Europe)
- Anantara Palazzo Naiadi Rome (TOP 10 Southern Europe)
- NH Collection Venezia Grand Hotel Palazzo Dei Dogi (TOP 5 in Europe)
- NH Collection Venezia Palazzo Barocci (TOP 10 in Europe)
- NH Collection Prague Carlo IV (TOP 10 in Europe)
- NH Collection Madrid Palacio De Tepa (TOP 15 in Europe)
- Tivoli Palacio De Seteais Sintra (TOP 5 in Europe)
- Avani Avenida Liberdade Lisbon (TOP 10 in Europe)
- Tivoli Oriente Lisboa (TOP 10 in Europe)
- Tívoli Sintra (TOP 20 in Europe)
- Tívoli Lagos Algarve (TOP 20 in Europe)
- Anantara Vilamoura Algarve Resort (TOP 25 in Europe)
- Tívoli Marina Vilamoura Algarve (TOP 25 in Europe)

HISTORIC HOTELS WORLDWIDE (USA)

- NH Collection Piazza Carlina: TOP 25 hotels for a romantic break

SUSTAINABILITY AWARDS

S&P SUSTAINABILITY AWARDS - SAM 2020: Bronze Class & Industry Mover in The Sustainability Yearbook 2021

One of the most significant milestones of the year was the recognition by the sustainable investment agency SAM of NH Hotel Group as one of the most sustainable companies in its sector, as well as the "Industry mover" recognition for the best progress achieved in a year. Both recognitions reinforce NH Hotel Group's commitment to sustainability and to promoting responsible tourism.

BLOOMBERG GENDER EQUALITY 2021

In January 2021, NH Hotel Group was included in the Bloomberg Gender Quality Index 2021 and is the only Spanish hotel company out of the 380 companies included in the index.

MERCO CORPORATE RESPONSIBILITY RANKING 2020

The Company achieved 27th place.

GAIA GREEN AWARDS (NETHERLANDS)

- nhow Amsterdam Rai: nominated as the most sustainable refurbishment project in the Netherlands and Belgium.

AWARDS FOR INNOVATION AND EXPERIENCE

GENIO AWARDS (SPAIN)

- FASTPASS: Best Innovation

HOSTELCO AWARDS (WORLWIDE)

- FASTPASS

ASTER AWARDS (SPAIN)

- FASTPASS

PROVINCIE AWARD 2020

- NH Collection Amsterdam Grand Hotel Krasnapolsky (1st prize)
- NH Amsterdam Schiphol Airport (2nd prize)
- NH Eindhoven Conference Centre Koningshof (3rd prize)
- NH Maastricht (3rd prize)

AWARDS FOR MARKETING

TRAVEL MARKETING AWARDS (WORLDWIDE)

- nhow London - *Chameleon Stunt:* best event (2nd prize)

GASTRONOMIC AWARDS AND RECOGNITIONS

WINE SPECTATOR (WORLDWIDE)

- EMO Restaurant - Anantara Vilamoura Algarve

WINE SPECTATOR (NETHERLANDS)

- The White Room (NH Collection Grand Hotel Krasnapolsky): award for excellence

PRINCIPLES GOVERNING THE PREPARATION OF THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

Reporting frameworks

To prepare the Consolidated Non-Financial Information Statement, the following global and national principles and standards have been taken into account:

- Act 11/2018 on Non-Financial and Diversity Reporting, published in Official State Gazette number 314, of December 29th, 2018.
- Consolidated Standards for the preparation of Sustainability Reports of the Global Reporting Initiative (GRI), core option; following the 2016 edition of the guide for certain indicators and the 2018 edition for others that have been updated.
- Commitment to the Ten Principles of the UN Global Compact and the Sustainable Development Goals (SDG).

Balance and comparability

The purpose of the Report is to publish a balanced, accurate and coherent report of the Group's performance, linked to the issues relevant to its strategy and to its stakeholders. In this regard, the comparability of data and information regarding previous years is key as a tool for traceability and evolution of such information. This Report, as in previous editions, has been drawn up with the involvement and participation of the heads of business areas and dialogue with each stakeholder group, making it possible to align the reported information with the relevant aspects for the stakeholders and to respond to their expectations. This has involved an internal process of gathering and checking information against indicators and quantitative and qualitative measurement data of the sustainable management of NH Hotel Group.

Verification of the Consolidated Non-Financial Information Statement

The Consolidated Non-Financial Information Statement has been verified externally by PricewaterhouseCoopers. The independent review report can be seen in APPENDIX IV of this document.

Appendix I: Table of Indicators

As a result of NH Hotel Group's Policies, the following indicators are available to monitor them.

Indicator	2020	2019
PROFILE		
Portfolio of hotels	361	368
Number of rooms	55,371	57,466
Number of customers	33 Million	31 Million
Subsidies*	€58.8M	€3.031.741
Net income (million Euros)	(437)	90
Total revenues (million Euros)	536	1,708
CUSTOMERS		
Customer ratings –NH survey	8.7	8.6
Customer ratings – online surveys	8.4	8.5
Communications handled by Customer Care	10,174	13,440
Number of hotels with elements adapted to special needs	349	344
SUPPLIERS		
Volume of suppliers managed	11,225	15,117
Number of active suppliers with signed Code of Ethics	1,816	1,872
Number of new suppliers with signed Code of Ethics	71	374
Percentage expense with local suppliers	94%	95%
Annual purchase volume (expense + investment)	€264.7 M	€650.5 M
ALLIANCES		
Contribution to associations	€116,528	€745,653
Contribution to sectorial associations	€82,782	€582,384
Contribution to non-profit associations	€6,819	€20,654

EMPLOYEES

Average number of employees	11,112	11,464
Indefinite contracts	87%	79%
Average turnover	21%	23%
Employees in country other than origin	22%	18%
Women in the workforce	51%	51%
Women in management	44%	43%
Employees under 25 years old	9%	11%
Employees between 25 and 40 years old	44%	45%
Employees over 40 years old	47%	44%
Number of nationalities	132	139
Employees with disabilities	89	114

TRAINING

Training hours provided through NH University	68,902	134,651
Total investment in training	€0.23 M	€1.3 M
Subsidy in training	€68,453	€155,208

COMMUNITY

Total social projects	73	331
Number of NH volunteers	524	1.164
Investment in social action (Thousand euros)	49	133
NGO Rate contribution (Thousand euros)	14	244
Friend Rate + Employee Rate contribution (Thousand euros)	87.8	162
Hotels with a Heart program: agreements with NGO	31	71
Hotels with a Heart program: hotel nights donated	317	1,059
Hotels with a Heart program: hotels involved	30	49

Energy Efficiency Investment	€3 M	€6.3 M
% of green electricity consumed by NH Hotel Group in Europe	69%	62%
Energy consumption (kWh)	378,653,410	581,452,180
Energy ratio (kWh/RN)	89.66	48.38
Water consumption (m^3)	1,922,016	3,989,542
Water ratio (m^3/RN)	0.455	0.332
Carbon footprint - CO_2 emissions (Tn CO_2)	63,684	101,241
Carbon footprint ratio (kg CO_2/RN)	15.08	8.42
Total number of certified hotels	157	149

Appendix II: Table of contents Act 11/2018 on non-financial reporting and diversity

Below are the non-financial key performance indicators required by Law 11/2018 of 28 December on non-financial reporting and diversity, their relationship with the indicators of the Global Reporting Initiative (GRI) standard and the pages of this report where the relevant information can be found:

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
Business Model	Brief description of the Group's business model, which will include: 1. Business environment 2. Organization and structure 3. Markets where it operates 4. Objectives and strategies	102-2	Activities, brands, products and services	NH Hotel Group Business Model Model (Sections: "NH Hotel Group Strategy" and "Key strategic in 2020)
	5. Main factors and trends that could affect its future evolution.	102-6	Markets served	Our presence in the world 2020
Policies	A description of the policies the group applies in relation to these matters, including: 1. Due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts 2. Verification and control procedures, including what measures have been adopted.	103	Management approach	Risk Management (Sections "Responsibility Risk Management" and "Risk Management Model")

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
Results of policies	The results of these policies, including key indicators of pertinent non-financial results that:	103	Management approach	Appendix I: Table of Indicators
Key Indicators	1. Permit monitoring and evaluation of progress and 2. Favour comparability between companies with the national, European or international reference frameworks used for each matter.			
Risks	The main risks related to these matters associated to the Group's activities, including, when pertinent and proportionate, commercial relations, products or services that may have negative effects in these areas and	102-15	Key impacts, risks and opportunities	Risk Management (Section "Risk categories and identification, supervision and monitoring process")
	How the group manages there risks, explaining the procedures used to detect and assess them according to the national, European or international reference frameworks for each matter. Information should be included on any impacts detected, offering a breakdown of them, in particular with regard to the main risks in the short, medium and long term.	413-1	Operations with local community engagement, impact assessments and development programs	Risk Management (Section "Risk factors and management and control measures")

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
Environmental Matters	**Environment**			
	1. Detailed information on actual and foreseeable effects of the company's activities on the environment and, as the case may be, health and safety, environmental assessment or certification procedures;	103	Management approach	NH ROOM4 Planet (Introduction and Section "Environmental certification programmes")
	2.Los recursos dedicados a la prevención de riesgos ambientales; 3. The application of the precautionary principle, the quantity of provisions and guarantees for environmental risks.	102-11	Precautionary principle or approach	NH ROOM4 Planet (Section "Environmental risk prevention and the precautionary principle")
	Pollution			
	1. Measures to prevent, reduce or repair carbon emissions that seriously affect the environment; 2. Taking into account any form of specific atmospheric pollution by an activity, including noise and light pollution.	103 305-5 Non-material topic	Management approach Reduction of GHG emissions	NH ROOM4 Planet (Section "Commitment to the fight against climate change and progress towards decarbonization")
	Circular economy and waste prevention and management			
	Waste: Measure for prevention, recycling, reuse, other forms of waste recovery and elimination;	103	Management approach for Effluents and waste	NH ROOM4 Planet (Section "Waste management and circular economy")
	Actions to combat food wastage.	103	Management approach for Effluents and waste	NH ROOM4 Planet Section ("Fight against food waste")

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
	Sustainable use of resources			
	Water consumption and water supply according to local limitations;	103 303-3	Management approach for Water Water withdrawal by source	NH ROOM4 Planet (Section "Sustainable uses of resources")
	Consumption of raw materials[5] and measures taken to improve efficiency in their use;	103	Management approach for Materials	NH ROOM4 Planet (Introduction and section "Commitment to reduce single-use plastics ")
	Direct and indirect consumption of energy, measures taken to improve energy efficiency and the use of renewable energy	103	Management approach for Energy	NH ROOM4 Planet (Sections "Key environmental indicators", "Energy efficiency plan" and "Results for 2020 and interannual reduction")
		302-1	Energy consumption within the organizationn	NH ROOM4 Planet (Section "Sustainable uses of resources")
		302-4	Reduction of energy consumption	NH ROOM4 Planet (Sections "Sustainable uses of resources" and "Results for 2020 and interannual reduction")
	Climate Change			
	Important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	103	Management approach for Emissions	NH ROOM4 Planet (Section "Carbon footprint")
	Measures taken to adapt to the consequences of climate change;	103	Management approach for Emissions	NH ROOM4 Planet (Section "Commitment to the fight against climate change and progress towards decarbonization")

[5] Raw materials consumption is non-material

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
		305-1	Direct (scope 1) GHG emissions	NH ROOM4 Planet (Section “Carbon footprint”)
		305-2	Indirect GHG emissions from energy generation (Scope 2)	NH ROOM4 Planet (Section “Carbon footprint”)
	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and the means implemented to that end.	103	Management approach for Emissions	NH ROOM4 Planet (Section “Commitment to the fight against climate change and progress towards decarbonization”)
	Protection of biodiversity			
	Measures taken to preserve or restore biodiversity; Impacts caused by the activities or operations on protected areas.	Non-material topic		
Social and employee-related matters	**Employment**			
	Total number and distribution of employees by sex, age, country and professional classification;	103	Management approach for Employment	NH ROOM4 People (Section “People Strategy”)
		102-8	Information on employees and other workers	NH ROOM4 People (Section “Our human capital”)
		405-1	Diversity of governance bodies and employees	Corporate governance (Section "Board and Senior Management Remuneration") NH ROOM4 People: Empleados (Apartado “A team with the same opportunities ”)
	Total number and distribution of types of employment contract	102-8	Information on employees and other workers	NH ROOM4 People (Section “Quality job creation and talent retention”)
		102-8	Information on employees and other workers	NH ROOM4 People (Section “Quality job creation and talent retention”)

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
	Annual average indefinite contracts, temporary contracts and part-time contracts by sex, age and professional classification;	405-1	Diversity of governance bodies and employees	Corporate governance (Section "Board and Senior Management Remuneration") NH ROOM4 People: Empleados (Apartado “A team with the same opportunities”)
	Number of contract terminations by sex, age and professional classification;	401-1	New employee hires and employee turnover	NH ROOM4 People (Section “Turnover and absenteeism”)
	Average remuneration and evolution broken down by sex, age and professional classification or equal value;	405-2	Ratio of basic salary and remuneration of women to men	NH ROOM4 People: Empleados (Apartado “A team with the same opportunities”)
	Wage gap, remuneration of same jobs or average for the company	103 405-2	Management approach Ratio of basic salary and remuneration of women to men	NH ROOM4 People: Empleados (Apartado “A team with the same opportunities”)
	Average remuneration of directors and executives, including variable remuneration, expenses, compensation, payment to long-term savings plans and any other benefit, broken down by sex	102-35 405-2	Governance: Remuneration policies Ratio of basic salary and remuneration of women to men	Corporate governance (Section "Board and Senior Management Remuneration") NH ROOM4 People: Empleados (Apartado “A team with the same opportunities”)

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
	Implementation of work-life balance policies	103	Management approach for Employment	NH ROOM4 People (Section “Flexibility and worklife balance: "New Way of Working”)
	Disabled employees	405-1	Diversidad en órganos de gobierno y empleados	NH ROOM4 People (Section “Culture of diversity, equality and inclusion”)
	Work organization			
	Organization of work time	103	Management approach for Employment	NH ROOM4 People (Section “Flexibility and worklife balance: "New Way of Working”)
	Number of hours of absenteeism	403-9	Work-related injuries	NH ROOM4 People (Section “Turnover and absenteeism”)
	Measures aimed at facilitating work-life balance and promoting shared exercise of rights and responsibility by both parents	103	Management approach for Employment	NH ROOM4 People (Section “Flexibility and worklife balance: "New Way of Working”)
	Health and Safety			
	Health and safety at work conditions;	103	Management approach for Health and Safety at work	NH ROOM4 People: Employees (Section "Health and well-being at work")

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
	Occupational injuries, in particular their frequency and severity	403-9	Work-related injuries	NH ROOM4 People: Employees (Section "Health and well-being at work")
	Occupational diseases; broken down by sex	403-10	Work-related ill health	NH ROOM4 People: Employees (Section "Health and well-being at work")
	Labour relations			
	Organization of labour dialogue, including procedures to inform and consult with employees and workers and negotiate with them;	103	Management approach for Employer-worker relations	NH ROOM4 People (Section "Social dialogue with employees")
	Percentage of employees covered by collective agreement by country;	102-41	Collective bargaining agreements	NH ROOM4 People (Section "Social dialogue with employees")
	Balance of collective agreements, particularly with regard to occupational health and safety	103	Workers representation in formal joint management –worker health and safety committees	NH ROOM4 People (Section "Social dialogue with employees")
	Training			
	Policies implemented in training;	103	Management Approach for Training and Education	NH ROOM4 People: Empleados (Section "NH University Training")
	Total number of training hours by professional category.	404-1	Average hours of training per year per employee	NH ROOM4 People: Empleados (Section "NH University Training")
		404-2	Programmes to improve employee skills and transition assistance programmes	NH ROOM4 People: Empleados (Section "NH University Training")
		404-3	Percentage of employees receiving regular performance and career development appraisals	NH ROOM4 People (Section "Talent management")

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
	Universal accessibility for disabled persons			
		103	Management approach	NH ROOM4 People (Section "Hotels that are more and more accessible")
	Equality			
	Measures taken to promote equality of treatment and opportunity between men and women; Equality plans (Chapter III of Act 3/2007, of 22 March, for effective equality of men and women), measures taken to promote employment, protocols against sexual harassment and on account of sex, integration and universal accessibility of disabled persons; The policy against all kind of discrimination and, as the case may be, diversity management.	103	Management approach for Diversity and Equality of opportunities + Non discrimination	NH ROOM4 People (Sections "Culture of diversity, equality and inclusion", "A team with the same opportunities" and "Culture of diversity, equality and inclusion") NH ROOM4 People (Section "Equality Plan") NH ROOM4 People (Section "Culture of diversity, equality and inclusion")
Human Rights related-matters	**Human Rights**			
	Application of due diligence procedures in relation to human rights;	103	Management approach for assessment of human rights + Freedom of association and collective bargaining + Child labour + Forced or compulsory labour	Ethics and Conduct. (Sections "Protection of Human Rights", "Compliance in relation to Human Rights", "Initiatives for the Protection of Human Rights" and "New developments for the protection of Human Rights")

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
	Prevention of risks of breach of human rights and, as the case may be, measures to mitigate, manage and repair possible abuse committed;			Ética y Conducta (Apartados “Protección de los Derechos Humanos”, “Cumplimiento en materia de los Derechos Humanos”,“Iniciativas para la Protección de los Derechos Humanos” y “Novedades para la Protección de los Derechos Humanos”)
	Reported cases of breach of human rights;	406-1 102-17	Incidents of discrimination and corrective actions taken	Ethics and Conduct. (Sections “Protection of Human Rights”, “Compliance in relation to Human Rights” and "Human Rights due diligence”)
	Promotion of and compliance with the provisions of the fundamental treaties of the World Labour Organization related to respect for freedom of association and the right to collective bargaining;			
	Elimination of discrimination in employment and occupation;			Ethics and Conduct. (Section “Initiatives for the Protection of Human Rights”)
	Elimination of forced or compulsory labour;	103	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Ética y Conducta (Apartado “Protección de los Derechos Humanos”)
	Effective abolition of child labour.	103	Operations and suppliers at significant risk for incidents of child labour	

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
Corruption and Bribery related-matters	**Corruption and Bribery**			
	Measures taken to prevent corruption and bribery;	103	Management approach Anti-corruption	Compliance System (Introduction and section "New policies approved in 2020")
		205-2 205-3	Communication and training about anti-corruption policies and procedures	Ethics and Conduct (Section "Awareness of and training on ethics and conduct")
	Measures to fight money laundering.	205-2 205-3	Communication and training about anti-corruption policies and procedures	Ethics and Conduct (Section "Awareness of and training on ethics and conduct")
	Contributions to not-for-profit foundations and entities.	413-1	Operations with local community engagement, impact assessments and development programs	NH ROOM4 Responsible Shared Success: Sustainable Alliances (Sectipn "Relationship with alliances")
Society related-matters	**Company's commitments to sustainable development**			
	Impact of the company's activity on local employment and development;	103	Management approach for local communities	NH ROOM4 People: Community (Section "Promotion of youth employment: employability programs")
		413-1	Operations with local community engagement, impact assessments and development programs	NH ROOM4 People: Community (Section "Promotion of youth employment: employability programs")
	Impact of the company's activity on local populations and on the territory;	413-1	Operations with local community engagement, impact assessments and development programs	NH ROOM4 People: Community

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
	Relations with players in the local communities and types of dialogue with them;	102-42	Identifying and selecting stakeholders	NH ROOM4 Responsible Shared Success: Sustainable alliances (Section “Dialogue with stakeholders”)
		102-43	Approach to stakeholder engagement	
		413-1	Operations with local community engagement, impact assessments and development programs	
	Associative or sponsorship actions.	102-12	External initiatives	NH ROOM4 Responsible Shared Success: Sustainable Alliances (Sectipn "Relationship with alliances")
		102-13	Membership of association	
	Subcontracting and suppliers			
	Inclusion of social, gender equality and environmental matters in the procurement policy;	102-9	Supply chain	NH ROOM4 Responsible Shared Success: Responsible value chain (Section “Purchasing Policy” and “Selection of suppliers”)
	Consideration of social and environmental responsibility in relations with suppliers and subcontractors;	103	Management approach for Suppliers	NH ROOM4 Responsible Shared Success: Responsible value chain
		204-1	Proportion of expenditure on local suppliers	NH ROOM4 Responsible Shared Success: Responsible value chain
		308-1	Supplier environmental assessment	NH ROOM4 Responsible Shared Success: Responsible value chain
		414-1	Supplier social assessment	NH ROOM4 Responsible Shared Success: Responsible value chain
	Sistemas de supervisión y auditorías y resultados de las mismas.	103	Procurement Policies Management Approach	NH ROOM4 Responsible Shared Success: Responsible value chain (Section “Selection of suppliers”)

Areas Act 11/2018 of December 28th	Contents	Related GRI standard	GRI description	Section Title
	Consumers			
	Measures for health and safety of consumers;	103	Management approach for Customer health and safety	NH ROOM4 Responsible Shared Success: Customers (Section "Health and safety")
	Claim systems, complaints received and their resolution.	103	Management approach for Customer health and safety	NH ROOM4 Responsible Shared Success: Customers (Section "Single Customer Service Centre Tools")
	Tax information			
	Profits obtained country by country Income taxes paid	103	Management approach to tax	NH Hotel Group Business Model (Section "Tax Informacion)
	Public grants received	201-4	Financial assistance received from the government	Ethics and conduct (Section "Relation with the government and Policy influence")
Other relevant indicators	**Corporate governance**			
	Governance	102-18	Governance structure	Corporate governance
		102-19	Delegation of authority	
		102-22	Composition of the highest governance body and its committees	
		102-23	Chairman of the highest governance body	
		102-24	Nomination and selection of the highest governance body	
		102-25	Conflicts of interest	

Note: In addition to the indicators included in the table, additional information can be found in the following indicators: 102-1, 102-3, 102-4, 102-5, 102-7, 102-10, 102-14, 102-16, 102-40, 102-44, 102-45, 102-46, 102-47, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-55, 102-56, 201-2, 207-1, 207-2, 207-4.

Appendix III: Index of GRI standard contents

This report has been drawn up in accordance with GRI standards: Core option

General Contents

GRI Standard	Disclosure	Section Title or direct response
GRI 101: Foundation		
GRI 102: General Disclosures		
Organizational Profile		
GRI 102: General Disclosures	102-1 Name of the organization	NH Hotel Group Business Model
	102-2 Activities, brands, products and services	Our presence in the world 2020 NH Hotel Group Business Mode
	102-3 Location of headquarters	Back cover
	102-4 Location of operations	Our presence in the world 2020 NH Hotel Group Business Model
	102-5 Ownership and legal form	Corporate governance and ethical commitment (Section “Shareholder structure")
	102-6 Markets served	Our presence in the world 2020
	102-7 Scale of the organization	Our presence in the world 2020 NH Hotel Group Business Model
	102-8 Information on employees and other workers	NH ROOM4 People (Section “Our human capital”)
	102-9 Supply chain	NH ROOM4 Responsible Shared Success:Responsible Supply Chain
	102-10 Significant changes to the organization and its supply chain	Milestone 2020,NH ROOM4 Responsible Shared Success:Responsible Supply Chain

GRI Standard	Disclosure	Section Title or direct response
	102-11 Precautionary Principle or approach	NH ROOM4 Planet (Section "Environmental risk prevention and the precautionary principle")
	102-12 External initiatives	NH ROOM4 Responsible Shared Success: Sustainable Alliances (Section "Relations with associations") NH ROOM4 Planet (Section "Commitment to the fight against climate change and progress towards decarbonization")
	102-13 Membership in associations	NH ROOM4 Responsible Shared Success: Sustainable Alliances (Section "Relations with associations)
Strategy		
GRI 102: General Disclosures	102-14 Statement from senior decision-maker	Chairman and CEO'S message
	102-15 Key impacts, risks, and opportunities	Management risks
Ethics and integrity		
GRI 102: General Disclosures	102-16 Values, principles, standards, and norms of behavior	Our visión, our culture; Compliance system and Ethics and conduct
	102-17 Mechanisms for advice and concerns about ethics	Compliance system
Governance		
GRI 102: General Disclosures	102-18 Governance structure	Corporate governance
	102-19 Delegating authority	Corporate governance
	102-22 Chair of the highest governance body	Corporate governance
	102-23 Chair of the highest governance body	Corporate governance
	102-24 Nominating and selecting the highest governance body	Corporate governance
	102-25 Conflicts of interest	Corporate governance
	102-35 Remuneration policies	Corporate governance

GRI Standard	Disclosure	Section Title or direct response
Stakeholder engagement		
GRI 102: General Disclosures	102-40 List of stakeholders	NH ROOM4 People: Sustainable Alliance (Section "Dialogue with Stakeholders")
	102-41 Collective bargaining agreements	NH ROOM4 People: Employees (Section "Social dialogue with employees")
	102-42 Identifying and selecting stakeholders	NH ROOM4 Sustainable Business NH ROOM4 People: Sustainable Alliances (Section "Dialogue with stakeholders")
	102-43 Approach to stakeholder engagement	NH ROOM4 Sustainable Business (Introduction and section "Materiality analisys") NH ROOM4 People: Sustainable Alliances (Section "Dialogue with stakeholders")
	102-44 Key topics and concerns raised	NH ROOM4 Sustainable Business (Section "Materiality analisys")
Reporting Practice		
GRI 102: General Disclosures	102-45 Entities included in the consolidated financial statements	About the Non Financial Information Statement (Section "Scope")
	102-46 Defining report content and topic boundaries	Our presence in the world 2020; About the Non Financial information Statement (Section "Scope") NH ROOM4 Sustainable Business (Section "Materiality analisys") "Análisis de materialidad")
	102-47 List of material topics	NH ROOM4 Sustainable Business (Section "Materiality analisys")
	102-48 Restatements of information	There are no restatements of information regarding previous years
	102-49 Changes in reporting	No change in the preparation of the report
	102-50 Reporting period	2020

GRI Standard	Disclosure	Section Title or direct response
	102-51 Date of most recent report	Last report published refers to previous tax year, 2019
	102-52 Reporting cycle	About the Non-Financial information Statement
	102-53 Contact point for questions regarding the report	Back cover
	102-54 Claims of reporting in accordance with the GRI Standards	Principles governing the preparation of the non-financial information statement
	102-55 GRI content index	Appendix III: Index of GRI standards contents
	102-56 External assurance	Appendix IV: Independent Assurance Report
NH Hotel Group MATERIAL TOPICS		
Sustainable Financial Growth		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management ***approach*** and its components 103-3 Evaluation of the management approach	NH Hotel Group's business model (Section "Key strategic initiatives in 2020")
GRI 201: Economic Performance		
	201-2 Financial implications and other risks and opportunities arising from climate change	Corporate Governance NH ROOM4 Planet ("Commitment to fighting climate change and moving towards decarbonisation" and "Climate risks and opportunities")
	201-4 Financial assistance received from government	Ethics and Conduct (Section "Relations with Governments and Policy Influence")
Regulatory Environment		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Managing the health crisis caused by COVID-19; Key strategic initiatives in 2020

GRI Standard	Disclosure	Section Title or direct response
Recovery Plan		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Managing the health crisis caused by COVID-19; Key strategic initiatives in 2020
Ethical commitment and Transparency		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Compliance System Ethics and Conduct
GRI 207: Tax		
	207-1 Approach to tax 207-2 Tax governance, control, and risk management	Tax information
	207-4 Country-by-country reporting	NH Hotel Group complies with the requirements established in the tax regulations and submits its Country by Country report to the competent body. For confidentiality reasons, the Company does not public this information.
Best practices on corporate governance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Corporate governance
GRI 205: Anticorrupción		
	205-2 Communication and training about anti-corruption policies and procedures	Compliance System; Ethics and Conduct
	205-3 Confirmed cases of corruption and measures taken	Compliance system; Compliance Office

GRI Standard	Disclosure	Section Title or direct response
Protection of human and labour rights		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Ethics and Conduct ("Protection of Human Rights", "Human Rights Compliance" and "Human Rights Due Diligence")
GRI 406: Non-discrimination		
	406-1 Incidents of discrimination and corrective actions taken	Ethics and Conduct (Section "Human Rights Compliance")
Financial, non-financial and emerging risks management		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Risk management (Section "Governance of Risk Management") Risk management (Sections "Governance of risk management", "Risk management model" and "Risk categories and the process of identification, supervision and monitoring") Risk management
Innovation and technology		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Key strategic initiatives in 2020 (Section "4. Transformation Plan")
Channels of communication and dialogue with stakeholders		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 People: Sustainable Alliances ("Stakeholder Dialogue" section)

GRI Standard	Disclosure	Section Title or direct response
Talent, training and professional development		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 People: Employees (Introduction and sections "People Strategy", "Performance Management", "Talent Management" and Training: NH University)
GRI 401: Employment		
	401-1 New employee hires and employee turnover	NH ROOM4 People: Employees ("Turnover and absenteeism")
GRI 404: Training and education		
	404-1 Average hours of training per year per employee 404-2 Programs for upgrading employee skills and transition assistance programs	NH ROOM4 People: Employees (NH University Training")
	404-3 Percentage of employees receiving regular performance and career development reviews	NH ROOM4 People: Employees ("Performance Management")
Culture of equality, diversity and inclusion		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 People: Employees ("Culture of Diversity, Equality and Inclusion", "Equality Plan" and "Equal Opportunities Team")
GRI 405: Diversity and equal opportunities		
GRI 404: Diversidad e igualdad de oportunidades	405-1 Diversity of governance bodies and employees	Corporate Governance (Section "Board Selection Policy"); NH ROOM4 People: Employees (Sections "Creating quality jobs and retaining talent" and "Culture of diversity, equality and inclusion").

GRI Standard	Disclosure	Section Title or direct response
	405-2 Ratio of basic salary and remuneration of women to men	Corporate Governance (Section "Remuneration of the Board and Senior Management") NH ROOM4 People: Employees (Section "An Equal Opportunity Team")
Employee engagement and participation		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 People ("Employee Engagement and Involvement" and "Internal Communication")
Safety, health and well-being		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 People ("Health and Well-being at Work")
GRI 403: Health and safety at work		
	403-9 Work-related injuries	NH ROOM4 People ("Health and Well-being at work and "Turnover and absenteeism")
	403-10 Work-related ill health	NH ROOM4 People ("Health and Well-being at Work")
Corporate volunteering		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 People: Community (Introduction and sections "NH Response", "Together with Love: Corporate Volunteering", "Hotels with Heart - HwH", "Promoting Youth Employment: Employability Programmes" and "Alliances with Foundations and NGOs").

GRI Standard	Disclosure	Section Title or direct response
Positive impact on the local community and culture		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 People: Community (Introduction and sections "NH Response", "Together with Love: Corporate Volunteering", "Hotels with Heart - HwH", "Promoting Youth Employment: Employability Programmes" and "Alliances with Foundations and NGOs").
GRI 413: Local communities		
	413-1 Operations with local community engagement, impact assessments, and development programs	NH ROOM4 Responsible Shared Success: Sustainable Partnerships (Sections "Stakeholder Dialogue", "Relationship with Associations") NH ROOM4 People: Community (Introduction and sections "NH Response", "Together with Love: Corporate Volunteering", "Hotels with Heart - HwH", "Promoting Youth Employment: Employability Programmes" and "Alliances with Foundations and NGOs").
Promoting youth employment		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 People: Community (Section "Promoting Youth Employment: Employability Programmes")
Sustainable alliances		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 Responsible Shared Success: Sustainable Alliances
Responsible and local value chain		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 Responsible Shared Success: Responsible Supply Chain ("Supplier Management")

GRI Standard	Disclosure	Section Title or direct response
GRI 204: Procurement practices		
	204-1 Proportion of spending on local suppliers	NH ROOM4 Responsible Shared Success: Responsible Supply Chain
GRI 308: Environmental assessment of suppliers		
	308-1 New suppliers that were screened using environmental criteria	NH ROOM4 Responsible Shared Success: Responsible Supply Chain (Sections "Purchasing Policy", "Supplier Selection" and "Supplier Approval Lifecycle at NH Hotel Group", "Supplier Management" and "Supply Chain Risk Management: Critical Suppliers"). Supplier Selection" and "Supplier Approval Lifecycle at NH Hotel Group", "Supplier Management" and "Supply Chain Risk Management: Critical Suppliers")
GRI 414: Supplier Social Assessment		
	414-1 New suppliers that were screened using social criteria	NH ROOM4 Responsible Shared Success: Responsible Supply Chain (Sections "Purchasing Policy", "Supplier Selection" and "Supplier Approval Lifecycle at NH Hotel Group", "Supplier Management" and "Supply Chain Risk Management: Critical Suppliers"). Supplier Selection" and "Supplier Approval Lifecycle at NH Hotel Group", "Supplier Management" and "Supply Chain Risk Management: Critical Suppliers")
Unique customer experiences		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 Responsible Shared Success: Customers (Sections "NH Experience", "Quality Management System", "Evolution of Quality Measurement Tools in 2020")
Quality of service and satisfaction		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 Responsible Shared Success: Customers (Sections "Quality Management System", "Single Customer Service Centre Tools", "Impact on visibility and perception of Quality" and "Communication with the Customer")

GRI Standard	Disclosure	Section Title or direct response
Fostering sustainability among customers		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 Responsible Shared Success: Customers ("Responsible Customer" section) NH ROOM4 Planet ("Development of more sustainable products")
Green energy and energy efficiency		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 Planet (Introduction and sections "Energy Efficiency Plan" and "Environmental Certification Programme" and "Efficient Management and Responsible Use of Resources")
GRI 302: Energy		
	302-1 1 Energy consumption within the organization	NH ROOM4 Planet ("Efficient management and responsible consumption of resources")
	302-4 Reduction of energy consumption	NH ROOM4 Planet ("Efficient management and responsible consumption of resources")
Responsible water management		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 Planet (Introduction and "Water management")
GRI 303: Water and effluents		
	303-3: Water withdrawal	NH ROOM4 Planet ("Water management")
Fight against climate change		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 Planet ("Commitment to the fight against climate change and progress towards decarbonization")

GRI Standard	Disclosure	Section Title or direct response
GRI 305: Emisions		
GRI 305: Emisiones	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 305-5 Reduction of GHG emissions	NH ROOM4 Planet (Sections "Commitment to the fight against climate change and progress towards decarbonization" and "Measures for mitigation and adaptation)
Sustainable hotel services		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 Planet ("Green Hotel Project", "Customer satisfaction with sustainability", "Efficient management and responsible consumption of resources", "Efficient Management and Responsible Use of Resources" and "Other outstanding projects")
Waste management and circular economy		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	NH ROOM4 Planet ("Waste management and circular economy" and "Commitment to reduce single-use plastics")
Actions to combat food wastage		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	NH ROOM4 Planet Section ("Fight against food waste“)

Raw materials consumption, noise and light pollution and biodiversity are non-material topics for the Company.

Appendix IV: Independent Verification Report

(BACK COVER)

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This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent verification report

To the shareholders NH Hotel Group, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT 2020 (hereinafter "CNFIS") for the year ended 31 December 2020 of NH Hotel Group, S.A. (the Parent company) and subsidiaries (hereinafter "NH Hotel Group") which forms part of NH Hotel Group´s Consolidated Management's Report.

The content of the CNFIS includes additional information to that required by current commercial legislation on non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the Appendix II: "Table of contents Act 11/2018 on non-financial reporting and diversity" and in the Appendix III: "Index of GRI standard contents" of the accompanying CNFIS.

Responsibility of the directors of the Parent company

The preparation of the CNFIS included in NH Hotel Group's Consolidated Management's Report and the content thereof are the responsibility of the directors of NH Hotel Group, S.A. The CNFIS has been drawn up in accordance with the provisions of current commercial legislation and with the *Sustainability Reporting Standards of the Global Reporting Initiative* (hereinafter "GRI Standards") in accordance with the Core option, in line with the details provided for each matter in the Appendix II: "Table of contents Act 11/2018 on non-financial reporting and diversity" and in the Appendix III: "Index of GRI standard contents" of the aforementioned CNFIS.

This responsibility also includes the design, implementation and maintenance of the internal control that is considered necessary to ensure that the CNFIS is free from material misstatement, due to fraud or error.

The directors of NH Hotel Group, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CNFIS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, in place which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialized in Non-Financial Information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out. Our work has been aligned with the requirements set by the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted in posing questions to management and several NH Hotel Group, S.A. units that were involved in the preparation of the CNFIS, in the review of the processes for compiling and validating the information presented in the CNFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with NH Hotel Group, S.A. personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the contents included in the CNFIS for 2020, based on the materiality analysis carried by NH Hotel Group and described in NH ROOM 4 SUSTAINABLE BUSINESS "MATERIALITY ANALYSIS" and considering the content required under current commercial legislation.

- Analysis of the procedures used to compile and validate the information presented in the CNFIS for 2020.

- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the CNFIS for 2020.

- Verification, through sample testing, of the information relating to the content of the CNFIS for 2020 and its adequate compilation using data supplied by NH Hotel Group's information sources.

- Obtainment of a management representation letter from the directors and the management of the Parent company.

Conclusions

Based on the procedures performed in our verification and the evidence we have obtained, no matters have come to our attention which may lead us to believe that the CNFIS of NH Hotel Group, S.A. and its subsidiaries for the year ended 31 December 2020 has not been prepared, in all of their significant matters, in accordance with the provisions of current commercial legislation and with the GRI Standards in accordance with the Core option, in line with the details provided for each matter in the Appendix II: "Table of contents Act 11/2018 on non-financial reporting and diversity" and in the Appendix III: "Index of GRI standard contents" in the accompanying CNFIS.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Ramon Abella Rubio

24 February 2021